Samuel Brittan

No 'third way' between capitalism & communism

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Europe's crisis

Is there a way out?

Page 10

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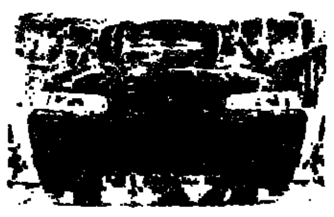
Maastricht minimalism

Page 28



Honda

Working in accord

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FINANCIAL TIMES

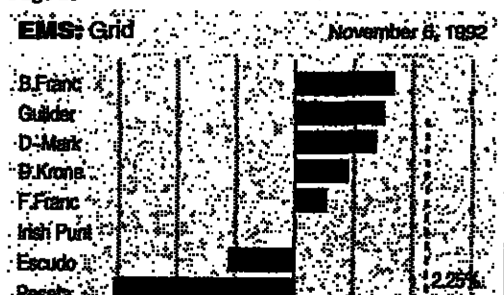
Europe's Business Newspaper — MONDAY NOVEMBER 9 1992 — D8523A

Norway applies for European Community place

Norway's ruling Labour party voted to apply to join the European Community, although the electorate remains firmly opposed to membership, fearing that the country's fishing and farming industries will be threatened. Prime minister Gro Harlem Brundtland plans to negotiate membership alongside Sweden and Finland to obtain the best deal possible from Brussels. Page 12

Bronfmans seek confidence: The industrial, property and financial services empire controlled by Toronto's Bronfman family is battling to shore up investor confidence following difficulties at financial services group Royal Trust and property developer Bramalea. Page 13

European Monetary System: The French franc has continued to strengthen inside the European exchange rate mechanism grid, despite a cut in the Bank of France's intervention rate last Monday as the feeling that France has won the battle to save the franc has pushed the currency up. Although the D-Mark remains third from the top of the grid, its divergence above its central Ecu rate has fallen. The currency has weakened in the wake of economic indicators showing that Germany is going into recession. Currencies, Page 23



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

South Africa deaths: At least 14 people were killed in South Africa's black townships, police said. More than 3,000 people have died in the past 12 months in township feuding, mainly between Inkatha followers and those of the African National Congress.

Yeltsin in talks with Major: Russian president Boris Yeltsin will meet UK prime minister John Major in London today to discuss Russia's economic reforms. Page 3; Editorial Comment, Page 10

Cambodia talks fail: International talks on a peace accord for Cambodia failed to achieve agreement on disarming the country's four factions before general elections next May. Page 4

Kenya election threat: Kenya's opposition parties may boycott the country's first multi-party elections in 26 years because they say the government is blocking their campaigns. Page 4

Airport link under threat: Plans for a £300m ($465m) express rail link from London's Heathrow airport to the centre of the city are threatened by a dispute over how much privatised airport group BAA should pay for use of the track. Page 5

British troops under fire: British troops abandoned a United Nations route-finding mission in northern Bosnia after an exchange of fire. Page 2

Egypt pleads for monuments: Egyptian Culture Minister Farouq Hosni left for Paris to seek United Nations assistance in restoring monuments damaged by last month's earthquake. He put the cost at $30m.

Yamaha cuts dividend: Yamaha, world's largest musical instruments manufacturer, reported a 43.7 per cent drop in half-year pre-tax profits to Y3.87bn ($31.7m) and its first dividend cut in 38 years. Page 15

Continental outcome: The result of the contest for Continental Airlines, US carrier operating under bankruptcy court protection, is expected today. Two groups are known to be involved: Air Canada, in conjunction with Texan investment partnership Air Partners, and Charles Hurwitz's Maxxam consortium. Page 13

Gorbachev to Berlin: Former Soviet president Mikhail Gorbachev left for Berlin, where he is to be made an honorary citizen, after Russian authorities lifted a ban on his travelling abroad.

Dubcek tributes from Clinton and Major

Tributes from US president-elect Bill Clinton and UK prime minister John Major were among many for Alexander Dubcek, who died, aged 70. Dubcek headed Czechoslovakia's "Prague Spring" reform that was crushed by Soviet-bloc troops and tanks in August 1968. Obituary, Page 3

Motor racing: Gerhard Berger in a MacLaren Honda won the Australian Grand Prix at Adelaide, final race in this year's Formula One world championship.

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 800	Poland	Zl 22,000	Turkey	L5000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Clinton summons business leaders to Little Rock

By Nancy Dunne in Washington

TOP OFFICIALS of President-elect Bill Clinton's transition team yesterday announced a series of steps to tackle the US economic crisis even before the new administration takes power in late January.

Mr Warren Christopher, director of the transition team, said Mr Clinton would convene a summit of business leaders and economists in Little Rock, Arkansas, in the next few weeks to advise him on ways to tackle the country's economic crisis.

The summit is "in the planning stages", according to Mr Christopher, but it will include an audit of "where we stand now".

The transition team is also looking at the establishment of an Economic Security Council to raise the priority of government economic decision-making.

Mr Vernon Jordan, chairman of the transition team, said Mr Clinton would appoint an assistant for economic security to co-ordinate the operations of the proposed Economic Security Council, but the president will head it.

The new position is modelled on that of the national security adviser. It is not clear, however, how the proposed council would work in practice with the existing Council of Economic Advisers.

Mr Jordan also confirmed that the first cabinet appointees are likely to be to economic posts. They will be announced on December 1 or perhaps a little earlier, according to Mr Jordan. It is expected that the top 25-30 appointees will be announced next month.

Mr Clinton will travel to Washington to meet Congressional leaders before he takes office. Mr George Mitchell, the Democratic leader in the Senate, has offered to hold confirmation hearings after the new Congress convenes on January 5 so Mr Clinton's cabinet can be ready to start work by his inauguration on January 20.

The cabinet could include Republicans, and Mr Jordan did not rule out the possibility that a Clinton administration would seek the services of Mr James Baker, President George Bush's former secretary of state, as a special envoy.

"We will be an equal opportunity employer," Mr Jordan said. "Diversity will be the operative policy in the arrangement of the government."

Both parties have expressed support

Continued on Page 12
Fresh focus, Page 25

Compromise urged over trade as EC tensions rise

By Will Dawkins in Paris and David Dodwell in London

BOTH US and European Community trade negotiators must make fresh compromises in their farm trade dispute if trade war is to be averted, Mr Frans Andriessen, EC external affairs commissioner, warned yesterday.

Mr Andriessen said on British television that neither the EC nor the US is entitled to let the Uruguay round fail. He said differences "while not insubstantial, can be breached".

The call for further compromises from the EC's chief trade negotiator could fuel controversy at an EC foreign ministers' meeting today, where France will ask for a hit-list to be drawn up of US farm exports that could be triggered if the US goes ahead with threats to slap 200 per cent tariffs on European white wine and other imports.

French demands for retaliation were fended off at the weekend during an informal two-day meeting of EC trade ministers at Brocket Hall, north-west of London, with German and British ministers calling for a quick return to the negotiating table. France claims it has support from Ireland, Spain and Belgium.

UK officials in Brussels indicated that ministers would today stop short of a decision on retaliatory measures against the US, but Mr Roland Dumas, French foreign minister will appeal for Community solidarity on the issue.

"We will certainly have to give away something more," Mr Andriessen said on Dutch television. "The US will also have to be a bit more obliging."

He warned that France must be careful not to become isolated within the EC in its fight to block settlement of a long-standing dispute with the US over Europe's oilseeds subsidy regime. He refused to say whether the EC should draw up a retaliation list against the US, saying only that today's meeting of EC foreign ministers would "discuss how to deal with the totality of the issue".

Negotiations to settle the dispute – which is at the heart of a wider US-EC row over Europe's farm subsidy regime – have for two years blocked progress towards a comprehensive world trade reform package that could stimulate an additional $200bn a year in international trade.

Talks collapsed in Chicago on Tuesday as farm ministers from both countries sought a last-ditch settlement ahead of President Bush's election defeat. The US swiftly announced that it would impose 200 per cent tariffs on farm products worth $300m if the dispute were not settled in 30 days.

Mr Dominique Strauss-Kahn, French industry and foreign trade minister, maintained that France was acting on behalf of all 12 EC governments in asking Brussels to prepare counter sanctions, which should start with soya. He added that France had "numerous allies" including Spain, Belgium and Ireland "who like us refuse to submit".

Mr Michael Heseltine, UK trade and industry secretary, talked yesterday of a wide range of dialogue going on behind the scenes at the weekend aimed at "cooling the temperature". He said Mr John Major, president of the EC, was "doubling every effort to get talks back on the road."

"We do realise the gravity of the situation. The clock is ticking. It is a very dangerous situation," he said.

MacSharry on trade talks, Page 4

Thousands of Germans gather at the Brandenburg Gate, Berlin, in a rally to protest against racism and show solidarity with foreigners

Asylum protesters pelt German leader

By Leslie Colitt in Berlin

GERMAN President Richard von Weizsäcker was pelted with eggs and stones by leftwing radicals at a rally in Berlin called to protest at the wave of recent rightwing extremist attacks on asylum seekers.

Riot police held up their shields to protect Mr Weizsäcker, who had to delay his speech for nearly 10 minutes. When he did speak, he was repeatedly interrupted by cat-calls as projectiles thumped against the shields.

Mr Kohl said the militants had "tried to soil the image of people demonstrating peacefully against violence".

He said: "The mob wanted to damage the worldwide image of Berlin and Germany. They will not succeed."

The rally was organised to show solidarity with foreigners in Germany, but it left an impression of a country polarised over the issue of asylum seekers and immigrants.

The disruption was provoked by several dozen young anarchists who manoeuvred themselves to the front of an otherwise peaceful crowd of nearly 300,000 demonstrators.

They unfurled banners accusing Mr Kohl and Mr Weizsäcker of hypocrisy in attending the rally. Acting on orders not to use undue force, the riot police tried with little success to push them back. At one point, Mr Hans-Jochen Vogel, the former head of the Social Democratic (SPD) party, was thrown to the ground when he tried to urge moderation on the leftwingers. Police moved in with batons and encircled the demonstrators.

Ironically, the brunt of the abuse was borne by President Weizsäcker, who has been outspoken in his condemnation of radical rightwing violence. Yesterday, he reminded the crowd that today was the anniversary of a "fateful German date", the burning of Jewish synagogues in Nazi Germany in 1938.

Mr Kohl, who has been criticised for not forcefully condemning the attacks on asylum seekers when they first took place, did not speak at the rally.

Bitter debate, Page 12

Hurd faces grilling over UK decision to delay treaty vote

By Lionel Barber in Brussels

MR DOUGLAS HURD, Britain's foreign secretary, today faces a grilling from his European Community partners anxious to establish when the British government intends to ratify the Maastricht treaty.

Mr John Major's decision to delay ratification of the treaty until after a second Danish referendum next May caused consternation in European capitals, undermining hopes of a speedy approval of the treaty.

Senior European officials remain unappeased by suggestions by the UK government that it might proceed with a third reading of the Maastricht bill if Denmark postpones its referendum until later in the year.

Mr Hurd is likely to stress at today's meeting of EC foreign ministers in Brussels that Mr Major's concession to Tory Eurosceptics was necessary to avoid losing last Wednesday's vote in the House of Commons and thereby risk scuppering the Maastricht treaty.

Mr Uffe Ellemann-Jensen, the Danish foreign minister, will present Denmark's requests for exemptions from the Maastricht treaty.

The Danish question is rapidly shaping up as a battle of political wills within the Community, as some member states urge flexibility while others adopt a legalistic approach, warning that Denmark's demands for a UK-style opt-out on a common European currency and an exemption on a common European defence force amount to renegotiation of the treaty.

UK ministers hope to secure a basic understanding on the Danish question at the EC summit in Edinburgh next month. But EC officials point out that the Edinburgh agenda is becoming crowded, particularly if there is no progress soon on the so-called Delors II package providing new funding for the poorer EC member states.

In Brussels today, foreign ministers also face a heavy agenda. Mr Hurd will be urging his EC partners to support efforts to bridge the gap with the US on farm subsidies to reach a broader trade deal under the General Agreement on Tariffs and Trade.

Efforts will be made to define subsidiarity – the devolution of powers to the lowest appropriate level – and ministers will try to break the deadlock on the Delors II package.

Bad blood in Brussels, Page 10
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Mitterrand to fight back in Aids row

By William Dawkins in Paris

FRENCH President François Mitterrand will tonight try to take the initiative from the government's critics by staging a television interview on the recent scandal over the distribution of Aids-tainted blood to haemophiliacs.

This will be his first set-piece television appearance since a marathon three-hour debate two months ago, shortly before the Maastricht referendum, and his first since undergoing surgery for cancer of the prostate. It will therefore give valuable clues to the mental and physical fitness of the 76-year-old president, said by ministers to be on combative form.

Since he won a narrow victory in the referendum, Mr Mitterrand's popularity has improved. But his government is dogged by minor internal

Mitterrand: ratings improved

splits, continuing high unemployment and a sluggish economy and faces defeat in next March's legislative elections.

Mr Mitterrand wants to use today's interview to hit back at criticisms of Socialist ministers over the Aids scandal, relating to a period in 1985 when the national blood transfusion service allowed infected blood to be given to more than 1,200 haemophiliacs. He is understood to be outraged at what he sees as right-wing attempts to win political gains from the tragedy. The president is likely to face questions on other issues, such as the looming trade war with the US and the UK decision to delay ratifying the Maastricht treaty until after Danish ratification.

He is also likely to be quizzed on possible constitutional reforms, including more influence for France's parliament and shortening the president's renewable seven-year mandate. Since he announced such plans a year ago, the issue has been sidelined by the debate on European monetary and political union.

Barre plea for stronger German links

By David Marsh
European Editor

FRANCE and Germany are likely to establish monetary union with a small "core" of European countries if either Britain or Denmark fails to ratify the Maastricht treaty, according to Mr Raymond Barre, the former French prime minister.

Mr Barre, a stalwart of the centre-right UDF party in the French national assembly, coupled this prediction with a plea for further measures to strengthen Franco-German monetary co-operation.

He recommended that France should adopt a narrower fluctuation band within the European Monetary System to tie the franc still closer to the D-Mark. This compared with the present allowed margin for the franc against the D-Mark of 2¼ per cent either side of the central rate.

Such a move to "narrow bands" would strengthen the monetary solidarity by the Bundesbank's support of the franc during the September currency upheavals, Mr Barre said in an interview in London.

Mr Barre, prime minister for two spells in 1976-1978 and 1978-1981, prides himself on providing part of the intellectual stimulus behind the "hard franc" policy followed by the present Socialist government.

Commenting on France's battle with the currency markets six weeks ago, Mr Barre said "international circles, men who can manage big flows of capital" wanted to "test the strength of the Franco-German [monetary] accord".

Mr Michel Sapin, French finance minister, announced last week that the Bank of France had succeeded in repaying all the funds borrowed from the Bundesbank to finance franc support intervention.

"FFr160bn [$31.06bn] was spent by the Bank of France. But the funds have been paid back quickly," Mr Barre said. He declared that the Bundesbank gave support to the franc not simply for political reasons, but also because the German central bank was convinced that fundamental economic factors made a franc devaluation undesirable.

Mr Barre, a strong supporter of the Maastricht treaty, campaigned for a Yes vote in the French referendum on September 20. "If the speculation [against the franc] had been successful, the future of the Maastricht treaty would have been more compromised than by a failure of the referendum," he said.

Mr Barre said the EC wanted to proceed with a treaty on European union acceptable to all 12 members. However, if some countries did not ratify the treaty, "the other countries can consider it justified to make something by themselves which would be a more limited Community – a 'hard core,'" Mr Barre said.

Mr Barre prides himself on providing part of the intellectual stimulus behind the "hard franc" policy followed by the present government

If "two or three countries" rejected the treaty, the "hard core" could consider speeding up progress towards economic and monetary union (Emu), he said.

Mr Barre urged the French government to make the Bank of France independent in stage two of the drive towards Emu, due to start in 1994. He said stage two should also bring about a gradual pooling of European central banks' currency reserves – a step currently opposed by the Bundesbank.

Mr Barre criticised President François Mitterrand's statement during the referendum campaign that the planned European central bank should be subordinate to European governments.

"He [Mr Mitterrand] has accepted [in the Maastricht treaty] the independence of the European central bank. If he thinks the central bank will be dependent on the political authorities, I think he's wrong. He will never get the result he wants."

Mr Barre also cautioned about Britain's September departure from the European exchange rate mechanism. Sterling's devalution might produce "artificial benefits" by boosting growth in the short term – but the advantages would soon be swallowed up in higher inflation.

Colombian rebel violence kills 46

By Sarita Kendall in Bogotá

LEFTIST guerrillas killed 26 police officers and at least 20 died or were injured in urban bomb attacks in Colombia over the weekend, according to Colombian officals.

As the violence escalated, President César Gaviria, addressing the nation on Saturday night, called for a united front against the rebels and promised new security measures.

The guerrillas have been trying to force the government to regional peace talks and a formal share of power in areas where they already have virtual military control.

Guerrilla road blocks stopped transport in key regions and police posts in towns and cities were blown up; the army commander reported 87 military and 152 guerrillas killed in October, apart from the many civilians caught in cross-fire.

In Medellín, drug-related violence is also rising, with over 20 police shot dead since the drug cartel's military chief, Brance Munoz, was killed in a police raid two weeks ago. Pablo Escobar, the cartel's overlord who escaped from prison in July, is still on the run.

President Gaviria warned that an all-out fight against the guerrillas needed "true solidarity". He referred to farmers who paid extortion fees and politicians who negotiated in private.

Some politicians are calling for further peace talks, but the president of the Bishops' Conference, Pedro Rubiano, said it was not possible to go on with a dialogue under the pressures of "bombs and bloodshed".

Some 700 ranchers have been kidnapped this year. The 26 policemen killed were guarding oil storage tanks, and the main export crude pipeline has been dynamited twice in the last two days.

The cost to the economy this year is estimated to be 0.7 per cent of gross domestic product.

Dominique Strauss-Kahn, French minister for industry and foreign trade, gestures in front of the Akatsuki Maru as 1.7 tons of plutonium is loaded. The freighter sailed from Cherbourg for Japan over the weekend

NEWS IN BRIEF

Waigel sees limit for borrowing

MR Theo Waigel, German finance minister, said yesterday that government borrowing must not exceed DM45bn ($28.37bn) in 1993, Reuter reports from Bonn.

Until recently, the government had been forecasting a 1993 budget deficit of DM38bn compared with a projected DM40bn this year.

"There must be no increase in net borrowing above DM45bn," Mr Waigel said in Berlin's Sonntagspost newspaper. "In just the same way as tax increases, this would have a negative effect on the economy.

"In the first round of saving efforts we have managed to save DM7.5bn. That is enough to pay for the German Unity fund, inherited debt from former East Germany and to cover eastern European trade," he added.

But Mr Waigel said: "Without further drastic saving – including in subsidies and in welfare policies – it won't be possible. Everyone has to carry their part of the burden."

Gorbachev allowed to travel

The Russian government yesterday ended a foreign travel ban on former Soviet President Mikhail Gorbachev, Reuter reports from Moscow. It had refused to let Mr Gorbachev, 61, visit Italy last month because of his refusal to testify at Constitutional Court hearings into the banned Communist party. Mr Gorbachev said before leaving for Berlin he hoped this was the end of the matter.

Russia-Morocco power deal

Russia has agreed to supply equipment and help to build a dam and hydroelectric power plant in Morocco, the official news agency MAP reported yesterday, Reuter reports from Rabat.

Its contribution, the equivalent of $124m, was outlined in an accord signed in Moscow on Saturday, the agency said.

Vranitzky guards graves

Austrian chancellor Franz Vranitzky mounted ceremonial watch at a desecrated Jewish cemetery yesterday to warn against anti-Semitism and increasing anti-foreign sentiment in Austria, Reuter reports from Vienna.

Vandals last week sprayed swastikas and slogans on gravestones at the cemetery in Eisenstadt, 60km south of Vienna.

Bad omens for UN Bosnian relief effort

Troops trying to protect supply routes are finding the going tough, writes **David White**

THE FOUR Nato countries providing full battalions in the latest deployment of United Nations forces for Bosnian relief must all think they have drawn the short straw.

The little skirmish which made a party of British army Land Rovers abandon a route-finding mission some way short of its destination in northern Bosnia on Saturday morning was a foretaste of hazards ahead.

It was thought to be the first time in Bosnia-Hercegovina's seven-month -war that UN soldiers had been involved in an exchange of fire. Brig Andrew Cumming, senior UK commander, said yesterday it was "not entirely unexpected".

Armoured British, French, Canadian and Spanish infantry units all face difficulties – although of different kinds – along the supply routes they are detailed to protect this winter.

The UN force of about 6,000 is in addition to 14,000 UN troops already in Croatia and in Sarajevo.

The French and Canadians were allotted areas adjacent to ones where they already had peacekeeping battalions in Croatia. For the French, whose 1,360 troops have already moved in with more than 100 armoured vehicles, this means a stranded Moslem pocket in Bosnia's north-west corner. The "UN protected area" surrounding the enclave on the Croatian side is Serb-controlled territory secured in last year's fighting. On the Bosnian side the main French base at Bihac faces out onto Serb front lines.

The Canadians, who will have about 1,100 troops in Bosnia, are destined for the Serb stronghold of Banja Luka. The omens are not good. When the UN chose Sarajevo as its first headquarters in former Yugoslavia (it has since moved it to Zagreb), it used Banja Luka as a forward transport base. The local Serb authorities now say the UN has bills outstanding and have obstructed the initial Canadian deployment.

But the trickiest tasks are probably those confronting the British and Spanish, working initially from the Croatian coast. Of all the planned convoy operations, British troops have to cope with the longest lines of communication. With a main base being set up at Vitez, 40 miles northwest of Sarajevo, their main target is the northern town of Tuzla, where the pre-war population of 130,000 has been swollen by 50,000 refugees. Representatives of the UN High Commissioner for Refugees (UNHCR) class a further 50,000 there as destitute.

The first plan was to get there by a short route from Loznica over the Serbian border, but that made no allowance for having to cross the lines of Serb forces who are unlikely to take kindly to foreign troops providing succour to their enemies.

Tuzla now lies in a northward-pointing salient of the remaining block of Moslem- and Croat-controlled Bosnia, which is gradually melting like ice enclosed by a warm hand. The main road up to it from the south is in Serb hands. Cutting off the salient would be an obvious military target for the Serbs in their effort to widen and secure a corridor across northern Bosnia.

The Spanish have an equally daunting task protecting the principal road from the coast towards Sarajevo, with the aim of reaching Kiseljak, the small town just west of Sarajevo where the UN is setting up its Bosnia headquarters.

The main body of the 740-strong battalion was arriving by sea yesterday, the largest Spanish force sent to a foreign land since the volunteer Blue Division went to fight for Hitler. Like the Canadians, they have had problems setting up. Croatian authorities would not let them go to the obvious location at Ploce, which is reputed to be the country's main entry port for clandestine arms shipments. They have had to join the British in Split instead, an extra drive of 75 miles.

More serious is that the road past Mostar comes within Serb artillery range. It is the best route north, essential for the volume of aid that will be needed. According to aid officials lorries could make Sarajevo and back in a day. Held up by Bosnian Croat militia checkpoints and by a treacherous two-hour detour near Sarajevo – the local Moslem commander is refusing to remove mines – it is now a two- to three-day turnaround.

Routes are having to be redrawn to take account of Serb advances. Convoys will be at risk not only from Serbs but also from Moslem gunmen.

The UNHCR in Split says 770 tonnes of supplies will be required daily for central Bosnia, western Hercegovina and Sarajevo. At present, with too few lorries and too many security problems, it is managing about half.

Fighting forces trucks back

FIGHTING flared up in southern Bosnia-Hercegovina yesterday, dealing a further blow to UN efforts to bring aid overland to Sarajevo, Reuter reports from Sarajevo.

Officials working with the United Nations High Commissioner for Refugees (UNHCR) said some 10 trucks heading for the besieged Bosnian capital were forced to turn back by heavy fighting at Buna, near Mostar, south-east of Sarajevo.

It was the third setback to a UN aid effort in 24 hours.

Members of the UN peacekeeping forces said there was still heavy shelling between rival Serb and Croat forces around Mostar and the 57km of strategically important road which links the city to the Croatian border.

Serb army officials, who have consistently accused Croat and Moslem forces of opening fire in the area, lodged an official written complaint with UN peacekeeping forces and threatened to use heavy artillery if the shooting continued.

In their complaint the Bosnian Serb army accused Croat forces of razing three villages and murdering women, children and old people there. The allegation could not be independently confirmed.

Private-sector debt worries OECD

By Peter Norman,
Economics Editor

THE Organisation for Economic Co-operation and Development (OECD) has expressed concern about the build-up of private-sector debt in the US, UK and Japan over the past decade.

In its latest thrice-yearly review, Financial Market Trends, the Paris-based think tank of 24 industrialised countries said it could not be argued that private debt developments posed a menace to the stability of the global financial system.

"But in a number of major countries the volume of private indebtedness has affected the soundness of the banking system and is a factor that hampers economic recovery," it said.

The OECD singled out "the slump in real estate in the US, the UK and Japan" and the low loan-loss provisions of Japanese banks as "points for concern".

The report said it was unclear whether deregulation of interest rates and credit would lead to a lasting increase in instability in the financial system, as some feared.

It cited one view that there was no such danger because deregulation had been followed by a one-off adjustment in portfolio preferences that had run its course.

At the same time, the prudential control of financial institutions continued to improve "which could mitigate a tendency towards greater volatility of credit", it said.

Financial Market Trends: 53. FF80 from OECD, 2, rue André Pascal, 75775 Paris Cedex 16 or from HMSO.

East European countries 'should join Efta before EC'

CEECs should look on the free trade association as a half-way house, a study says. **Anthony Robinson** reports

THE EUROPEAN MARKET

HUNGARY, Czechoslovakia and Poland, the three central European countries with bilateral European Community association agreements, went away from their London EC summit meeting last month without any agreed timetable for their full entry into the EC club. Next in line for entry remain the already prosperous and secure European Free Trade Association countries, whose entry will boost net contributions to EC coffers.

All three have pencilled in the turn of the century for full entry. But a new academic study argues that a combination of EC farming interests and the poorest current EC members will veto enlargement to the east for at least two decades.

It suggests that the Central and East European Countries (CEECs) should drop their EC fixation and opt for membership of Efta as a constructive interim half-way house.

Efta membership "would counter the economic and political marginalisation implicit in the bilateral trade deals" that Czechoslovakia, Hungary and Poland (the Visegrad 3 countries) have signed with the EC. It would also help enterprises in Efta countries "to develop business ties in a market with enormous growth potential", argues Mr Richard Baldwin professor of economics at the Institut Universitaire des Hautes Etudes Internationales, Geneva, in an occasional paper to be published by the London-based Centre for Economic Policy Research.

Both old and new members of an enlarged Efta would find their bargaining position with the EC improved, including those Efta members like Finland and Austria which hope to join the EC within the next five to 10 years. But until now the CEECs, including Romania and Bulgaria which are currently negotiating Visegrad 3-style association agreements, have been "afflicted with tunnel vision" which makes them see EC membership as the only option worth considering.

"The inescapable reality", however, is that the 100m CEEC citizens (of whom 64m are in the Visegrad 3) are poorer and more agricultural than the 3.5m in Ireland. On average the CEECs are twice as dependent on agriculture as the EC and the high and potentially growing level of farm output "poses many problems for the Common Agricultural Policy". This makes an eastern EC enlargement simply too costly for EC taxpayers and farmers until the CEEC's get richer or present EC members more generous, he argues.

Joining Efta, however, would hasten the CEEC's entry into the Community. It would help them to get richer faster and give them a track record in European integration just as Efta membership in the 1960's helped the UK overcome European doubts about its "European-ness".

While Efta membership would not provide automatic free access to the EC via the European Economic Area (EEA) "it is probably the shortest route to the EEA which should be the CEEC's next step towards EC membership", Mr Baldwin adds.

Joining Efta should be seen as a proven stepping stone to EC membership, given the fact that four of the seven applications already accepted by the EC have been from former Efta countries. However, the Efta countries' intention to abandon Efta for the EC before the end of the decade, the CEEC's will have to take the political initiative in seeking Efta membership.

The most effective approach would be an appeal to self-interest. Efta members, particularly Austria and Switzerland, already do a higher proportion of their trade with CEEC countries than most EC countries, while CEEC trade over the last three years has been expanding much faster than sales in other markets.

In 1991 the CEEC5 (Visegrad 3 plus Romania and Bulgaria) took 1.6 per cent of total EC exports but trade grew in double digits compared to the flat 0.1 per cent overall rise in EC exports last year. Although the volume of Efta-CEEC5 trade is only 25 per cent of EC trade with the area, the five countries took 2.7 per cent of Efta exports, nearly double the EC average, while the volume of two trade with Efta rose 70 per cent between 1989-91. The CEEC5 were particularly important for Austria with 8 per cent of its total exports going to these markets.

On a final, historical note, Mr Baldwin compares actual trade volumes with League of Nations trade statistics of 1928 to show how CEEC5 trade with western Europe would have to expand by 500 per cent to reach the pre-war levels, before trade was distorted by war and the Soviet takeover of eastern Europe.

"It is not preposterous" to suggest that these pre-war patterns will re-establish themselves, he writes. It is a tantalising prospect, and provides a badly needed note of hope and optimism for a region which until now has been seen by the EC more as a big problem than a great opportunity.

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Yeltsin's UK talks to focus on reforms

By John Lloyd in Moscow and Anthony Robinson in London

THE future of Russia's economic reforms and ways to prevent a slide into anarchy or civil war will be at the centre of talks President Boris Yeltsin will have with Mr John Major, UK prime minister, in London today.

Mr Yeltsin, who rallied democratic forces after the failed coup of August 1991, is under pressure to give stronger support to his reformist government, led by Mr Yegor Gaidar, which faces a strong challenge from former communists and extreme nationalists at next month's session of the Congress of People's Deputies.

In his entourage is Mr Alexander Shokhin, deputy prime minister in charge of foreign economic relations. In an interview before leaving Moscow, Mr Shokhin revealed that Russia's reformers were pressing Mr Yeltsin to resist, and threatening to resign if the conservatives were appeased.

Mr Yeltsin's first official visit to London, where he will lunch with the Queen, address parliament and make a speech at the Stock Exchange, gives him temporary respite from daunting domestic problems. These include ethnic conflicts on Russia's southern borders, demands for autonomy from some of the Russian Federation's most resource-rich regions, such as Tatarstan and Sakha (the former autonomous region of Yakutia), and counter-pressures from nationalists and military men. They want credits for military industry and greater protection for 25m ethnic Russians, who have become foreigners in the Baltic and other former Soviet states.

Mr Shokhin warned that easier credits for loss-making state industries, and other measures proposed by the Civic Union, the most powerful anti-government force, "would cancel out the Gaidar cabinet's ideology. If these measures are approved by parliament or the president, then in accordance with civilised norms, we would have to go."

He believed the Civic Union leaders had "overreached themselves" in demanding a list of resignations, including his own, and those of Mr Anatoly Chubais, deputy prime minister for privatisation, Mr Andrei Kozyrev, foreign minister, and Mr Andrei Nechayev, economics minister. Mr Yeltsin is said to have been angered by the demands. But it remains a subject of speculation in Moscow whether he will fight or accommodate the Civic Union challenge.

In London, Mr Yeltsin will receive encouragement to continue with economic and other reforms. Bilateral ties have improved, and should be enhanced by the first comprehensive treaty with Russia since 1766. But Mr Yeltsin will also be looking for more practical, financial help, and closer business ties.

With honourable exceptions, British business has steered clear of this difficult market, though UK multinationals such as John Brown, ICI, Rolls-Royce and several UK-based food companies have set up long-term links. Shell, BP and British Gas are among UK-based energy companies keen to help develop Russia's energy resources. For over 20 years the Soviet authorities sought help from companies such as RTZ to develop the huge but distant Udokan copper and polymetallic ore-body in Siberia and Mr Yeltsin's team is expected to revive interest in this and other potential projects.

Bilateral trade remains small, with UK exports to the former Soviet Union down to £288m in the first eight months of this year against £606m in 1990. Prospects for UK exporters have improved, with up to $500m of ECGD export credit and investment insurance available. Favoured projects are those self-financed from hard-currency earnings.

ESA set to cancel manned space plans

By Daniel Green

THE European Space Agency (ESA) is set to announce virtual cancellation of its manned space programme, as part of a plan to cut spending 18 per cent over the next three years. Trade and science ministers attending ESA's ministerial council meeting in Granada, Spain, will be asked to approve a restructuring marking the end of ESA's five-year-old plan for self-sufficiency in manned space technology.

Mr Jean-Marie Luton, ESA's director-general, will instead propose a 110m accounting units outlay to assess the possibilities of a joint European/Russian shuttle and space station. An accounting unit (AU) used by ESA is similar in value to an Ecu but related to a wider European currency basket. ESA's total budget for 1993-1995 will be AU7.7bn under the Luton plan.

His proposals vindicate UK space policy. Five years ago, the UK refused to join the manned space programme, preferring to concentrate on Earth observation satellites. "Now these programmes are oversubscribed," Mr Jean-Jacques Dordain, ESA's strategy director, said.

Germany has been the driving force behind the cost-cutting effort. As well as the abandoning of the Hermes manned programme, the German space Agency Dara insisted on better cost controls. Internal costs account for 6 per cent of ESA's budget. Cancellation of Hermes and of much of the Columbus manned space laboratory is a blow to main contractors Aérospatiale and Dassault of France and MBB-Erno of Germany.

Projects likely to be approved at the meeting:

- **Polar Orbiting Earth Mission (Poem)**: two satellites for environmental monitoring and meteorology costing AU1.8bn and to be launched by the year 2000. Prime contractor: the Anglo-French joint venture Matra-Marconi.
- **Polar platform**: Part of Poem, costing AU700m; prime contractor: British Aerospace.
- **Pressurised Module**: the only remaining manned project, to be attached to the US space station Freedom. Cost: AU2.5bn; prime contractors, MBB-Erno and Aeritalia.
- **Data Relay Satellite**: costing AU950m; allowing information from Poem satellites to be sent to Europe from the other side of Earth.

OBITUARY: Alexander Dubcek

A Hamlet forced to stay alive

ALEXANDER Dubcek, who died on Saturday aged 70, believed in the humane, pre-communist ethos of Czechoslovakia. But he was attached by an umbilical cord to the Communist party and unable to lead a revolt against the Soviet Union to its ultimate consequences.

The Prague Spring of 1968 was a misfired attempt to gain self-rule, not full independence from Moscow. Dubcek had perseverance and skill, but proved too weak when it came to the crunch, unable to refuse to sign under duress the document of surrender in the last days of August 1968. His fate was to be a Hamlet forced to watch the aftermath of his indecision. He rose to power from an impeccable family background, on the ladder of local and regional party appointments. A first-class diploma from Moscow's international party university helped.

Alexander Dubcek was born in 1921 in a Slovak village, the second son of Stefan Dubcek, a joiner who had emigrated to the US before the first world war. Stefan returned home after the war and, at about the time Alexander was born, joined the Communist party as one of its first members. He left again, this time for the Soviet Union, to join other skilled foreign workers helping to build communism. Alexander attended school in the Soviet Union. But in 1938, rather than accept Soviet citizenship, the family returned to Slovakia. Alexander found work as a locksmith in the Skoda works at Dubnica.

In 1955, he won a place at the Moscow international school for party high-fliers, spending three years there, years which saw the Soviet Army's suppression of the Hungarian uprising. Dubcek's further ascent, to secretaryship of the Bratislava party organisation, came because of his apparent docility and non-dangerous ability. His decisive promotion, to first secretaryship of the Slovak Communist party and a sort of governorship of Slovakia, occurred in 1963. Under pressure of an economic slump and Khrushchev's revelations of Stalin's terror, the party looked for a man who unlike President Anton Novotny, had clean hands, liberal inclinations, and the trust of Moscow.

From 1963 to 1967, recognition that Czechoslovakia's economic crisis was structural, caused by Soviet exploitation and policies, led – along with further disclosures of atrocities by Novotny and his secret service in the 1950s – to a gradual isolation of the ruling politburo and, at the end of 1967, to its split into two equally strong factions. One of these pressed for the removal of Novotny. A stormy party congress, convened in December 1967, elected Dubcek his successor.

His intelligence and humility singled him out from the communist rulers of the past

Dubcek's intelligence and humility, his halting speech, his broad and ready smile, made him different from the stupid and cruel communist rulers of the past. He quickly became popular with communists and non-communists alike. Press censorship was lifted; travel abroad allowed, and the country seethed with plans for a sort of market-led socialism, reinstatement of human rights and, though never officially admitted, a neutral Czechoslovakia. But noise exceeded action. The party district secretaries remained in control, blocking real economic reform. Soviet pressure increased: the Soviet generals saw a chance to move their army into Czechoslovakia to the West German frontier.

After some resistance, Dubcek agreed to Soviet "manoeuvres" in his country and, later, dismissed the only general ready to organise a defence of Czechoslovakia. Thus the ground was prepared for a walkover by Soviet tanks, and for the kidnapping of Dubcek and other reformist political leaders to Moscow on August 21 1968. After some rough treatment in Moscow, Dubcek signed a paper legitimising the Soviet invasion and granting the Soviet Union an enormous tribute in the form of industrial plants and lorries. Dubcek returned to Prague in tears. He retained his function for a while, then being moved to Turkey as ambassador. Recalled soon after, he was given a job in Bratislava's parks, looking after machine equipment.

His failure to say a loud "no" when in Moscow in August 1968 overshadowed the memory of his Prague Spring role. In 1989, a new generation of dissidents who came to power consigned him to the lacklustre post of Federal Assembly chairman. He continued to play a minor role on the left wing of Slovak politics, unsuccessfully opposing the split of the federation. He enters the history of his country as a figure not always admired, but much loved.

A.H. Hermann

Dubcek (right): failed to say a loud 'No'

Cambodian talks break down

By Yvonne Preston in Beijing

INTERNATIONAL talks on a peace accord for Cambodia broke down yesterday with the apparent failure to achieve agreement on disarming the four factions before general elections next May .

"Time is running out on the implementation of the Paris accords," said Mr Ali Alatas, the Indonesian foreign minister, who co-chairs the Paris International Conference on Cambodia with Mr Roland Dumas, the French foreign minister. "I would be less than truthful if I did not say that we could not get full consensus on removing the obstacles to implementing the accord," Mr Alitas said. The foremost objective at "this rather serious stage of development" was to ensure the situation in Cambodia did not relapse into renewed fighting, he added.

Mr Dumas said if no agreement was reached, the substance of the Paris agreement was in jeopardy. Both co-chairmen made clear the main obstacle was still the refusal of the Khmer Rouge to disarm.

Other Cambodian factions, who have already laid down their weapons, are threatening to rearm unless the Maoist guerrillas step into line and allow UN peacekeepers into their zones.The Khmer Rouge signed the accord with the Vietnamese-installed government in October last year, ending almost 13 years of civil war but it has since violated the accord in almost every aspect.

The three other Cambodian factions on the governing Supreme National Council (SNC) have co-operated with UN peacekeepers in the run-up to elections. They want the UN to abandon its disarmament plan, which they say would weaken them if the Khmer Rouge renewed its military offensive. Cambodia's prime minister, Hun Sen, has called for the expulsion of the Khmer Rouge from the SNC, which comprises leaders of the four factions and works with the UN.

Khieu Samphan, a Khmer Rouge leader, joined yesterday's talks hosted by Cambodian Prince Norodom Sihanouk, chairman of the SNC. Also attending the meetings were the five permanent members of the UN Security Council, representatives from Indonesia, Japan, Thailand, Germany and Australia, which initiated the peace process adopted by the UN and the four Cambodian factions.

They were joined by Mr Gareth Evans, the Australian foreign minister,

who said: "The situation in Cambodia is obviously still very fragile, but the fact that these talks are taking place in Beijing gives us all, I think, ground for optimism that a way can be found through the present difficulties."

MAKING A POINT: French foreign minister Roland Dumas (left), flanked by Prince Norodom Sihanouk, addresses delegates at the UN-brokered peace talks in Beijing yesterday

NEWS IN BRIEF

Israel to devalue

ISRAEL yesterday said it would devalue the shekel by more than 10 per cent over the next year and announced a package of tax cuts as part of the Labour government's efforts to encourage export growth and investment, writes Hugh Carnegy in Jerusalem.

An immediate 3 per cent rise in the shekel's target, or median, rate against a basket of currencies to 2.9250 will be followed by a further 8 per cent rise over the next 12 months. This continues a policy of a pre-announced diagonal devaluation schedule intended to cut out speculative currency flows and give exporters stable exchange rates.

Rebels attack northern Israel

Guerrillas in south Lebanon fired Katyusha rockets into northern Israel yesterday, Israeli military sources said. Reuter reports from Ain el-Tineh, Lebanon.

The attack was in retaliation for an earlier Israeli sortie against a pro-Iranian guerrilla position in south Lebanon which killed four gunmen and wounded six.

Egypt to buy helicopters

Egypt is to buy four helicopters to protect tourist sites following Moslem militant attacks on foreigners, Reuter reports from Cairo. Information minister Safwat Sherif was reported as saying ministers discussed the impact of the recent ambush of a tourist bus by Moslem militants.

South Korea and Japan seek thaw in relations

By John Burton in Seoul

SOUTH KOREA and Japan yesterday sought to thaw a recent chill in their relations and to promote closer co-operation on issues affecting North-east Asia.

Meeting in Kyoto, Japan, the South Korean President Roh Tae-woo and Japanese Prime Minister Kiichi Miyazawa held the first of planned regular bilateral discussions, modelled after the informal Franco-German consultations.

South Korea is trying to establish a new diplomatic role in the region, serving as an intermediary in reducing tensions between Japan, China and Russia.

Conflicts among these regional powers have harmed Korea over the past 400 years. But Seoul's recent overtures to China and Russia have caused problems with Japan, South Korea's former colonial master.

The establishment of Sino-South Korean relations in August raised concerns in Tokyo about the emergence of a possible alliance against Japanese influence in the region.

The decision by Russian President Boris Yeltsin to visit Seoul this month after cancelling his trip to Japan over the Kurile Island dispute has added to those fears.

South Korean officials said that President Roh wanted to reassure Japan of Korean friendship in the wake of these diplomatic developments and to show both Beijing and Moscow that Seoul-Tokyo relations remain close and co-operative.

South Korea needs Japanese co-operation in forcing North Korea to accept on-the-spot inspections of possible nuclear weapons facilities.

Japan has indicated that it will not normalise relations or promote economic ties with Pyongyang until the nuclear issue is resolved.

But South Korea and Japan appeared to have made little progress yesterday in settling their bilateral problems, including Korea's trade deficit with Japan and financial compensation for the Japanese use of Korean women as military prostitutes, or "comfort girls", during the second world war.

South Korea's trade deficit with Japan this year is likely to be twice as big as its total trade deficit of $3bn (£1.92bn). South Korea relies heavily on Japan for machinery and industrial components.

The trade deficit would be even bigger if it was not for import restrictions that South Korea places on Japanese products. Seoul is demanding that Japan help reduce the persistent trade deficit by transferring technology to Korea and increasing Korean imports through tariff cuts.

Tokyo expected to announce resumption of aid to Iran

THE Japanese government is expected this week to announce the resumption of yen credits to Iran, ending a 17-year embargo and marking the second important foreign policy change since the US presidential election, writes Robert Thomson in Tokyo.

Provision of the fresh credits, apparently Y30bn (£152m) for a dam and hydroelectric power project, will follow the government's decision on Friday to end a 13-year ban on economic aid to Vietnam.

The timing of the two decisions reflects Tokyo's belief that the period before Governor Bill Clinton's inauguration as president should be used to announce potentially controversial policy changes.

Japanese companies have wanted the government to resume economic assistance to Iran, which they believe offers potential for lucrative contracts for infrastructure work and industrial equipment.

Most Japanese car makers have sharply increased their exports to Iran this year, while Nissho Iwai, the trading house, has just won an Y8bn contract to supply oil exploration equipment. Mitsubishi Corp, another trading house, was part of an international consortium recently awarded rights to develop a natural gas field.

Japan is aware that the new credits could prompt criticism from the US. The ban on assistance was maintained in sympathy with US concerns about missing military personnel in Vietnam.

Kenya's opposition may boycott poll

By Julian Ozanne in Nairobi

KENYA'S opposition parties, worried the government might try dirty tricks, are considering a boycott of the country's first multi-party elections in 26 years, raising doubts about the electoral process.

Senior opposition officials are angry and frustrated by the lack of transparency in the National Electoral Commission, which is organising the polls, and by the government's continued harassment of the opposition and blocking of opposition campaigning in a number of provinces.

Over the weekend four opposition parties accused the government of preparing to rig the elections.

The Democratic party said it was clear the NEC was incapable of organising free and fair elections. Mr Martin Shikuku, secretary general of Ford-Asili, called for the postponement of elections and the immediate resignation of Mr Justice Chesoni, chairman of the NEC.

Mr Robert Shaw, an economic adviser to the main opposition party, Ford-Kenya, warned that if elections went ahead under current conditions, "the prospects for social discord and post-electoral instability are significant."

The opposition also say the government has not agreed a plan of monitoring for international observers.

MacSharry stresses need for restart of US-EC oilseed talks

By Tim Coone in Sligo

SLIGO is the home town of Mr Ray MacSharry, the EC agriculture commissioner. It was here that he was schooled in Irish politics and where he still retreats for weekends away from the pressures of world farm trade negotiations and Brussels bureaucracy.

The 140-mile journey from Dublin can be a tortuous drive, slowed by heavy traffic and road works, but hoardings along the way identify the road projects as financed from EC structural funds, part of a nationwide and much-needed road improvement scheme.

Once you are there, however, the tranquillity of the views over the Atlantic Ocean dispel the anger induced by the ubiquitous cattle trucks which seem to have a queue of cars weaving in frustration behind them wherever they go.

Mr MacSharry set the cat among the pigeons in Brussels last week by withdrawing as the EC negotiator in the farm trade talks with the US, then beat a tactical retreat to Sligo while Mr Jaques Delors, EC Commission president, took the heat for the breakdown in the talks.

He acceded to an interview to clarify the point at which the EC-US negotiations have stalled. It was conducted in his black Mercedes limousine, which comes with his job as commissioner. "The house is full of Fianna Fail people getting ready for the election campaign," he apologised.

Never once referring to Mr Delors by name he said: "My only concern, and I want to stress and underline this, is that the US and the EC should come to agreement as quickly as is possible on the outstanding point in agriculture and get back to Geneva so that they can wrap it all up among the 108 countries before the end of the year. That is my only concern in the whole affair.

"There is an amazing responsibility on the shoulders of all those directly concerned, and particularly the bosses, to get on with the job," he said. "My only concern has been to do my part. We've brought [the negotiations] to the stage where they can be concluded. It is necessary to do so now in the interest of the world economy to help it out of recession."

Discussing his decision not to continue as EC negotiator in talks with the US, Mr MacSharry said: "I have not resigned from the post of EC agriculture commissioner. There are numerous responsibilities attached to [that job], one of which is international negotiations on agricultural matters. That responsibility I have asked the president to carry out. So it's a matter for the president. I am satisfied that I have made my contribution. Now it is just a matter of finalising the details and all together must do that and do that quickly."

Expressing optimism that agreement can be reached with the US, he said: "Of course there are differences, they want to get their way the same as the Community wants to get its way... but the differences are slight enough."

He pinpointed US insistence on oilseed tonnage rather than acreage limits as the final hurdle to be cleared in the talks.

"To comply with the Gatt panel which has found against the [oilseeds export subsidy] regime in operation in the EC, we are prepared in the context of the Gatt negotiations... to extrapolate the oilseeds sector out separately from the arable crops sector and treat it separately... to identify it as a single sector," he said.

This would imply that acreage limits on oilseeds would be negotiable, a significant departure from the previous EC stance which treated the arable crops sector as one package.

Asked whether the offer to separate out oilseeds from the arable crops sector had led to the row with Mr Delors, Mr MacSharry said he did want to become involved in personality clashes. "Of course there are governments that do not like the reform of the CAP and maybe would like that it would go away, but it won't go away," he said.

He insisted that the oilseeds offer to the US had been made in the context of the CAP reform package. "Outside of that I will not go because I have made a solid commitment to the governments and the farmers, that we would not ask that they pay twice – first to reform the CAP and secondly to comply with Gatt obligations, so therefore we will do it the context of the reform of the CAP," he said.

Mr MacSharry declined to say whether he would resume his role of negotiator if requested. "It is a matter for the president [Delors]. He allocates the responsibilities- ... I am only interested in getting this thing back on the rails and I think my action has highlighted the importance of it and that in itself has been a good thing. It is now up to people much higher than me... to see that the job is done.

"In fairness to the United States they have come a long way... they are prepared to move on the four points of concern to the EC, which are lesser export volume commitments, rebalancing, a proper peace clause, and most important of all, to accept that the per hectare payments and livestock premiums under the new CAP reform will not be disciplined and will not be reduced. So in fairness to the US they have come a long way," he said.

Mr MacSharry pointed out that the US administration's fast-track trade negotiating procedure agreed with Congress expires next March, and that to enable the US to ratify an agreement within that period,a farm trade deal would have to be concluded rapidly, and an overall Gatt agreement concluded by the end of the year. "If it isn't wrapped up by Christmas... then we are talking about another year lost, and where will the world economy be by then?" he asked.

Ray MacSharry: set the cat among the pigeons in Brussels by quitting as EC negotiator in farm trade talks with the US

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

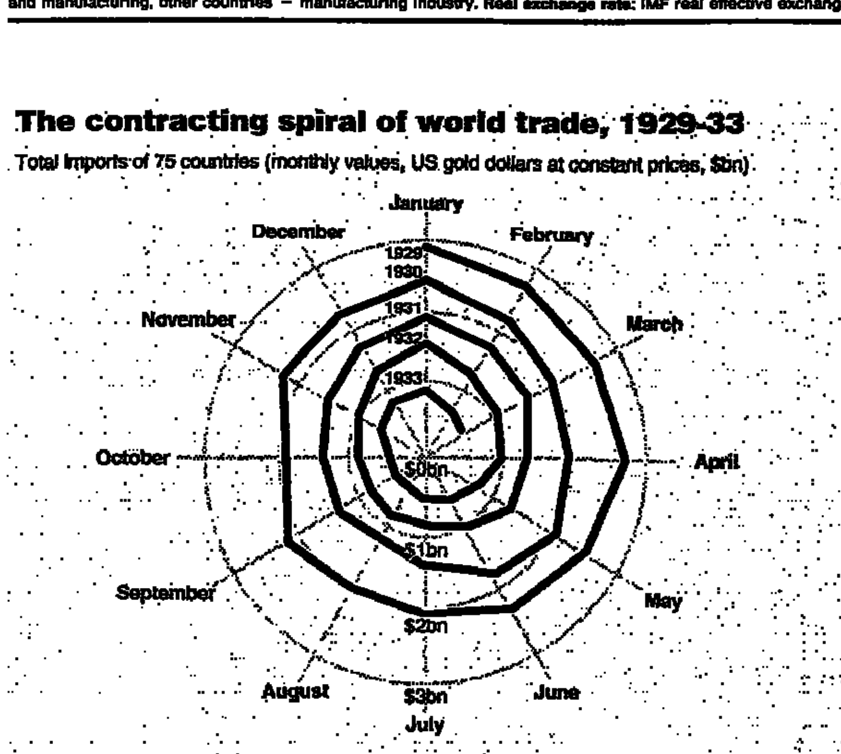
	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	76.5	100.6	95.3	101.4	103.3	131.0	99.9	97.5	103.8	103.8	110.2
1987	105.6	100.7	103.8	96.7	65.4	101.2	92.5	103.1	100.6	131.6	100.1	95.1	108.0	107.1	123.9
1988	109.9	103.2	106.9	98.1	61.8	102.2	92.3	107.8	96.2	140.3	101.4	96.2	113.0	108.7	125.3
1989	115.2	108.5	110.0	98.9	65.5	104.9	94.2	114.0	96.1	132.2	104.2	99.3	117.3	107.9	121.0
1990	121.5	113.8	113.8	100.9	60.9	108.2	95.7	120.1	98.2	114.6	107.0	101.0	123.8	110.4	125.0
1991	126.6	116.3	117.3	103.5		111.8	97.3	124.4	101.7		110.7	103.4	131.8	114.9	
4th qtr.1991	3.0	−0.2	2.9	1.7		3.2	0.0	3.2	6.0		3.9	2.4	n.a.	6.6	
1st qtr.1992	2.9	0.4	2.6	−0.1		2.1	−0.6	2.5	8.6		4.3	2.0	n.a.	4.5	
2nd qtr.1992	3.1	1.2	2.9	−0.5		2.5	−0.7	2.4	6.4		4.5	2.0	n.a.	3.8	
3rd qtr.1992	3.1	1.6	2.3	0.0		2.0					3.5	1.0	n.a.		
October 1991	2.9	−0.1	2.6	2.9	n.a.	3.1	0.3	2.8	6.1	n.a.	3.5	2.3	–	5.5	n.a.
November	3.0	−0.5	3.5	1.7	n.a.	3.6	−0.1	2.7	6.0	n.a.	4.2	2.5	–	5.4	n.a.
December	3.1	−0.1	2.6	0.7	n.a.	3.0	−0.1	3.5	5.9	n.a.	4.2	2.6	6.3	9.0	n.a.
January 1992	2.6	−0.4	1.7	0.7	n.a.	2.1	−0.6	4.6	8.0	n.a.	3.9	1.6	–	4.5	n.a.
February	2.8	0.6	3.5	−0.1	n.a.	2.2	−0.6	1.2	7.9	n.a.	4.3	2.0	–	3.6	n.a.
March	3.2	1.1	2.6	−0.7	n.a.	2.1	−0.7	1.7	9.8	n.a.	4.8	2.5		5.4	n.a.
April	3.2	1.1	3.4	−0.6	n.a.	2.8	−0.7	1.3	7.7	n.a.	4.6	1.9		5.4	n.a.
May	3.0	1.1	2.6	−0.6	n.a.	2.3	−0.7	1.1	11.8	n.a.	4.6	2.0		1.7	n.a.
June	3.1	1.5	2.6	−0.3	n.a.	2.5	−0.7	3.8	5.7	n.a.	4.3	2.0		4.3	n.a.
July	3.2	1.7	1.7	−0.2	n.a.	2.0	−0.7	2.3		n.a.	3.3	1.1		6.9	n.a.
August	3.1	1.5	2.6	−0.3	n.a.	1.8	−0.8			n.a.	3.5	1.1			n.a.
September	3.0	1.6	2.5	0.6	n.a.	2.2				n.a.	3.6	0.8			n.a.

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	102.3	106.1	100.2	104.8	102.6	101.5	103.4	104.3	107.7	104.5	93.3
1987	105.9	97.8	107.8	103.0	102.6	111.0	103.2	111.6	105.6	102.3	107.7	108.3	116.3	105.9	91.3
1988	108.8	102.8	111.1	104.0	98.3	116.5	106.8	118.4	109.8	101.6	113.0	113.2	126.2	108.9	97.5
1989	112.6	108.4	115.4	105.5	92.3	124.2	113.1	125.6	112.1	107.2	121.8	119.0	137.2	113.6	96.4
1990	116.4	107.1	120.6	110.0	95.7	131.8	117.8	134.7	118.8	113.7	133.3	126.0	150.1	123.2	102.3
1991	120.0	105.8	125.8	114.3		140.3	121.7	147.9	131.2		141.2	133.0	162.4	133.6	
4th qtr.1991	2.9	−3.6	n.a.	3.6		6.1	2.1	10.6	12.7		4.2	5.0	7.8	4.4	
1st qtr.1992	3.1	−3.0	n.a.	0.9		6.6	1.4	9.2			4.1	4.5	8.6	4.2	
2nd qtr.1992	3.1	−1.1	n.a.			5.5	2.0	6.0			4.2	3.6	5.9	1.6	
3rd qtr.1992	2.7		n.a.			5.2					3.6	3.3			
1991 October	2.5	n.a.	–	n.a.	n.a.	6.1	2.2	10.8	n.a.	n.a.	3.7	5.0	8.3	5.8	n.a.
November	2.9	n.a.	–	n.a.	n.a.	6.2	2.3	10.7	n.a.	n.a.	4.3	5.1	7.6	3.4	n.a.
December	3.1	n.a.	4.1	n.a.	n.a.	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	3.9	n.a.
1992 January	2.9	n.a.	–	n.a.	n.a.	6.1	1.3	9.4	n.a.	n.a.	4.1	4.5	7.5	4.7	n.a.
February	3.0	n.a.	–	n.a.	n.a.	5.3	1.5	9.1	n.a.	n.a.	4.1	4.4	7.8	2.5	n.a.
March	3.2	n.a.	3.6	n.a.	n.a.	5.5	1.4	9.1	n.a.	n.a.	4.0	4.5	10.3	5.3	n.a.
April	3.1	n.a.	–	n.a.	n.a.	5.5	1.8	8.8	n.a.	n.a.	4.3	3.6	5.0	0.0	n.a.
May	3.1	n.a.	–	n.a.	n.a.	5.7	2.1	4.6	n.a.	n.a.	4.3	3.5	7.0	2.6	n.a.
June	3.0	n.a.	3.8	n.a.	n.a.	5.4	2.1	4.7	n.a.	n.a.	3.9	3.5	5.9	2.0	n.a.
July	2.9	n.a.	–	n.a.	n.a.	5.4	1.9	4.0	n.a.	n.a.	3.7	3.4	6.2	3.0	n.a.
August	2.7	n.a.	–	n.a.	n.a.	5.2		3.5	n.a.	n.a.	3.6	3.4	6.7	1.8	n.a.
September	2.6	n.a.		n.a.	n.a.	5.1			n.a.	n.a.	3.6	3.2			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

The contracting spiral of world trade, 1929-33

Total imports of 75 countries (monthly values, US gold dollars at constant prices, $bn)



Source: World Bank, World Development Report 1984

Depressing growth prospect of a US-EC trade war

THE WORLD ECONOMY is not suffering from a 1930s-style depression. Nonetheless, the parallels between then and now are worrying, not least the apparent willingness of US and EC governments to risk a collapse of the world trading system and a descent into tit-for-tat protectionism.

A transatlantic trade war is not yet under way, but the signs are ominous. US and EC negotiators are reported to be willing to keep talking to solve the row over EC oilseed subsidies. But preparations for war are progressing. The US has announced its intention to impose 200 per cent duties on $300m (£193.5m) of EC white wines and farm goods in a month. The French trade minister, Mr Dominique Strauss-Kahn, plans to ask the EC to compile a list of US products for retaliation.

Would a US-EC trade war threaten a slide into a 1930s-style depression? The Great Depression was undoubtedly prolonged and deepened by protectionism. The Smoot-Hawley tariff, instituted by the US in 1930, sparked a rise in tariff barriers in virtually every country, often reinforced by quantitative restrictions. Protectionism combined with falling output and prices to cause a spiralling collapse in the value of world trade. The value of world trade collapsed from $3bn a month in January 1929 to less than $1bn a month by 1933, as the chart shows.

There is still widespread disagreement about the underlying cause of the Great Depression. Different explanations stress the collapse in demand caused by the 1929 US stock market crash, the effects on confidence and the availability of credit of the US banking crises of the early 1930s and the combination of widespread debts and the deflationary monetary policies which the gold standard exchange rate regime required in Europe, despite contracting output and trade. The UK left the gold standard in September 1931 and subsequently experienced a considerably smaller output decline.

Yet the collapse in trade was not the root cause of the Depression. The US suffered the deepest recession of any developed country – real US output fell by a third – and its resort to protectionism was largely to blame for spreading this contraction across the world. But trade played a small role in the US decline. Exports constituted 7 per cent of gross national product in 1929 and declined by 1.5 per cent of 1929 GNP over the next two years while the real value of US GNP fell by 10 times more in the same period.

Despite the current gloom, the world economy is still a long way from suffering an economic collapse on a 1930s scale. Between 1929 and 1932, the GDP of the advanced developed countries fell by 17.1 per cent, world trade in manufactures fell by 40 per cent and world prices fell by 6 per cent a year. Developing countries were also badly affected. Between 1929 and 1932, they suffered a 12 per cent fall in GDP. Output subsequently rose by 34 per cent between 1932 and 1937 but trade expansion contributed only 6.6 percentage points of this growth, according to the World Bank.

Confidence today is certainly depressed in almost all developed countries, while many countries have indebted consumers and banks with shaky balance sheets. But the monetary authorities, at least in US and Japan and more recently in the UK, have eased monetary policy, while world output, trade and prices are rising.

But it is the eastern European countries that are suffering falls in output and incomes on a depression scale. For these countries, and also for developing countries in sub-Saharan Africa and Latin America which saw their average incomes per head fall in the 1980s, an outbreak of world protectionism would be a disaster. The Bank expects rising real incomes per head in Africa and Latin America as well as East Asia in the 1990s, but these projections assume a successful conclusion to the Uruguay Round.

The world is not threatened by a depression to rival the 1930s'. Even so, a trade war now would deepen the world's current economic problems. For developed and developing countries alike, a descent into protectionism is a depressing prospect.

Edward Balls

Ford seeks job cuts in Britain

By Catherine Milton, Labour Staff

WORKERS at Ford, the UK new-car market leader, are expected to face compulsory redundancies for the first time in almost 30 years following a meeting today between management and unions.

Unions representing the 25,000 hourly paid workers say the company has withdrawn its proposal for a six-month pay freeze in return for voluntary job cuts, but expect Ford will still press for a 40 per cent pay cut for workers on short-time until the end of 1994.

In September Ford said it would undertake to achieve the more than 1,500 job losses voluntarily if unions agreed to the package. The company warned that if there were insufficient volunteers by December 11 it would have to move to compulsory redundancies if the deal was rejected.

Unions believe Ford can achieve job cuts voluntarily and say they will resist compulsory redundancies and the cut in lay-off pay.

Ford said in September it needed to shed workers at UK car-assembly and engine plants, saying it had "half an assembly plant too much capacity". Ford's 10,000 salaried staff were told last week to expect compulsory redundancies. Ford's UK workforce fell from a peak of 80,000 in early 1980 to 39,500 by late last year.

Government to increase support for exporters

By Peter Norman and Ralph Atkins

THE UK GOVERNMENT intends to give greater support to British exporters as part of its plans for economic recovery.

Mr Michael Heseltine, trade and industry secretary, said yesterday that he was sympathetic to helping industry more with export credits, adding that the Department of Trade and Industry would recruit 100 people from the private sector to help boost exports.

He said that it was a government priority to enable industry to seize opportunities created by sterling's devaluation and that the new personnel would "dramatically increase" the DTI support for the export drive.

Mr Heseltine, however, declined to give further details ahead of Thursday's announcement by Mr Norman Lamont, the chancellor of the exchequer, of the Autumn Statement (on planned annual government spending) and a package of measures to aid economic recovery.

A cut in bank base rates from 8 per cent is widely expected this week. A poll of City of London financial analysts by MMS International, the financial information company, found that 80 per cent expect Mr Lamont to cut rates by a full point "around the time of the Autumn Statement".

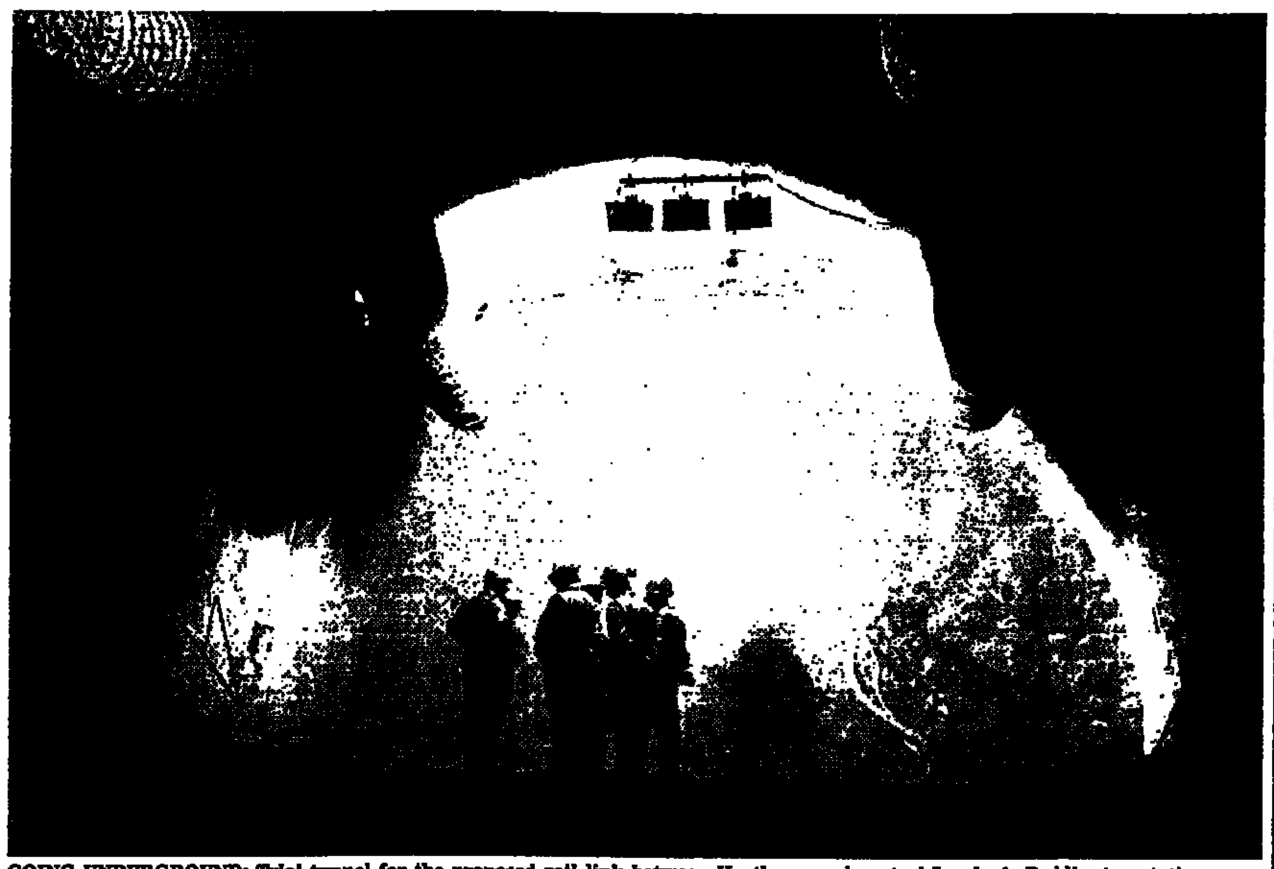
The government is also due to announce help for industry, including an easing of Treasury restrictions on private sector investment in infrastructure.

These moves will be balanced by a tough fiscal package. The cabinet has already agreed to hold the government's public spending within £244.5bn in 1993-94 and subject public sector pay to a tight squeeze.

The Treasury now supports a more expansionary policy because of growing worries about recessionary tendencies around the world. But officials fear that some more radical proposals would risk pushing sterling into a free fall with negative long-term consequences for the government's battle against inflation.

At the weekend, government officials expressed concern that expectations had become exaggerated ahead of the chancellor's statement. They pointed out that the government has already presided over a substantial policy relaxation.

Officials stressed that Mr Lamont is committed to holding underlying inflation in the 1 to 4 per cent band over the life of the parliament and providing a stable economic framework in which businesses can make decisions.



GOING UNDERGROUND: Trial tunnel for the proposed rail link between Heathrow and central London's Paddington station

Heathrow express link under threat

By Paul Betts, Aerospace Correspondent

PLANS to build a £300m express rail link from Heathrow airport to Paddington station in central London are being threatened by an arcane dispute over what BAA, the privatised airport group, should pay for use of British Rail track.

The Department of Transport, BR and BAA are to resume negotiations on this critical issue for the future of the Heathrow Express rail link later this month after failing to reach an agreement at a meeting last week.

BAA, which will report today its first half financial figures expected to show a 30-35 per cent rise in pre-tax profits to £200m-£220m, is anxious to reach a compromise with BR over railway track fees by the end of this month to enable construction work on the new express link to early next summer.

The airport group is arguing it cannot put together a financing package for the project unless it can first secure an agreement with BR over fees.

BAA is planning to raise the bulk of the £300m in the City of London by selling equity in the new Heathrow Express company to investors including financial institutions, construction companies, airlines and possibly foreign railways.

But it says it cannot approach investors until it has resolved the issue of track fees which represent a significant element in the overall operating costs of the new railway venture.

The project was first conceived four years ago as a joint venture between BAA and BR with the airport operator taking a majority 80 per cent stake and BR the remaining 20 per cent.

However, this original proposal was derailed by BR's financial constraints and the uncertainty over the government's railway privatisation plans as well as BAA's new strategy of focusing on its core airport activities. Sir John Egan, BAA's chief executive, has also made it clear he has no desire to run railways.

But he regards the project, in which BAA would ultimately hold a minority stake, as crucial for the longer term development of Heathrow, BAA's prime airport asset, and improving access to one of the world's busiest international airports used by more than 40m air travellers a year.

BAA has already completed about 95 per cent of the design work for the new express service which would link Heathrow, the only big European airport still without a direct city rail connection, to central London in 14 minutes. It has also just finished a £1.2m trial tunnel at Heathrow for the proposed new rail service.

If a deal on track fees is reached with BR this month, BAA expects to complete financing arrangements quickly for construction work to start in the spring enabling the new express service to open in 1997. The airport operator expects between 6m and 7m passengers a year to use the new service.

In the throes of its imminent privatisation, BR is however worried that any deal on track fees for the Heathrow Express service risks setting a precedent for future negotiations with private investors interested in acquiring franchises from BR to operate rail services.

But BAA argues that the Heathrow Express should be treated as a special case. The venture, it says, is not seeking a franchise to operate a private rail service but is investing £300m to build a full scale private railway.

Although the new service will be running on some of BR's existing track as well as on its own new track, the venture will finance the electrification of the BR track on the Paddington to Reading line up to the junction where it will swing towards Heathrow airport.

The electrification programme, BAA adds, will not only benefit the Heathrow Express but eventually other rail services. It argues track fees should reflect this electrification investment of around £30m.

Settlement close on Maxwell

By Jimmy Burns

A LARGE group of insurers are understood to have agreed to an out-of-court settlement involving a £6.5m payout on the life of the late Mr Robert Maxwell.

However final agreement is still being held up because of the resistance of some insurers involved in the original policy who are disputing the cause of Mr Maxwell's death.

Under the policy, broked by Willis Wrightson, the subsidiary of Willis Corroon, the full claim of £20m was payable if Mr Maxwell died from accidental causes or murder.

Most of the 150 insurers involved, mainly Lloyd's syndicates and London market companies, are thought to be in favour of paying out £6.5m without accepting liability.

Insurance companies and the main beneficiaries disagree about the cause of Maxwell's death. The main beneficiaries are two companies in the private Maxwell business empire – Robert Maxwell Group and Headington Investments, which are now in administration – and the public companies Mirror Group Newspapers, which is still trading, and Maxwell Communication Corporation, which is in administration. The proposed settlement is believed to have the firm backing now of 75 per cent of the insurers and beneficiaries.

There is a possibility that some companies could opt for court action, but insurance sources believe this unlikely because of the costs involved and the uncertain outcome.

Some companies say the policy has been rendered invalid because Mr Maxwell said he had no health problems. According to Mr Maxwell's doctors, he was healthy before starting his final cruise. But he is known to have had part of one lung removed, and had been suffering for years from fluid and respiratory ailments.

Loss adjustors acting for the insurers remain convinced that the most likely cause of Mr Maxwell's death was suicide, but investigators acting for the beneficiaries believe he died from drowning after falling accidentally into the sea.

Employers urge interest rate cut

By Tony Jackson, Industrial Editor

THE Confederation of British Industry yesterday called on Mr Norman Lamont, the chancellor of the exchequer, to cut interest rates by 2 points to 6 per cent.

The employers organisation hoped the cut would come in conjunction with Thursday's Autumn Statement on government spending plans. It also renewed its call for maintained or increased government spending on capital projects.

Speaking at the CBI's annual conference in Harrogate Mr Howard Davies, director general, said the government was showing signs of a new attitude to industry. "What we are looking for from the Chancellor on Thursday is what that attitude actually means."

Mr Davies said that while CBI members believed in principle that Britain should rejoin the European exchange rate mechanism, the necessary conditions were unlikely to be fulfilled in the near future.

Sir Michael Angus, CBI president, said that over the past few weeks, ministers had listened intently and encouraged business leaders to bring forward new thoughts. "I think they really realise that something has to be done."

The CBI presented the first report from its new National Manufacturing Council, calling for a "partnership for prosperity" between industry and government.

The report, which aims to improve the UK's competitiveness in manufacturing, calls for increased productivity, doubled investment per employee and a higher share of world export markets.

ECONOMICS

Anxious markets look to No 11

BRITAIN is back in the news with financial markets anxiously awaiting Thursday when Mr Norman Lamont, the chancellor, will produce his Autumn Statement and a package of measures to stimulate the economy against an increasingly gloomy international background.

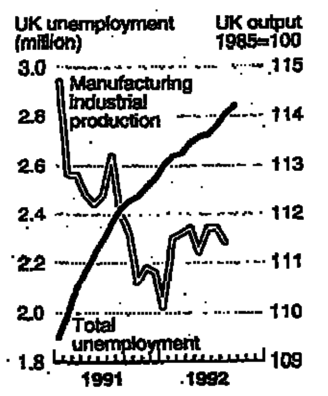
Any optimism engendered by Governor Bill Clinton's presidential election victory last week has to be set against the threat of a transatlantic trade war and increasingly bleak growth prospects in Europe and Japan.

These developments will be discussed today and tomorrow by senior finance ministry officials from the main industrial countries at the OECD in Paris.

It is expected that the Autumn Statement detailing the UK government's spending plans and economic forecast for next year will be unveiled against a background of rising unemployment and falling output.

While there are high hopes of an early cut in UK interest rates, there is no sign that German rates will be cut at Thursday's Bundesbank meeting.

The week's economic highlights and events follow with



Source: Datastream

the median of economists' forecasts, from MMS International, a financial information company, in brackets.

Today: France, OECD economic policy committee (EPC) meets in *Paris. Switzerland*, Group of 10 central bank governors meet in Basle. UK, September consumer credit business (net £50m repayment). Australia, September retail trade (up 0.3 per cent). Canada, October housing starts (169,000), September vehicle sales (up 2.3 per cent on month). August labour income (up 0.1 per cent on month).

Tomorrow: France, EPC meeting continues. Switzerland, EC central bank governors meet in Basle. UK, October manufacturers' input prices (up 1.2 per cent on month, 0.9 per cent on year), output prices (up 0.1 per cent on month, 3.2 per cent on year, up 2.6 per cent ex-food, drink and tobacco). US, October producer prices (up 0.3 per cent), ex food and energy (up 0.2 per cent). Japan, September machinery orders.

Wednesday: Germany, parliamentary budget committee begins three-day meeting in Bonn to finalise 1993 budget. UK, Bank of England governor lectures in London on case for price stability. France, Armistice Day public holiday. US, Veterans' Day – some markets closed.

Thursday: UK, Autumn Statement; October unemployment (up *40,000*), September average earnings (5.75 per cent); October provisional vehicle production. Germany, fortnightly Bundesbank council meeting. US, October money supply figures; money supply for week to November 2; initial claims week ended October 31 (370,000). Australia, October unemployment (10.95 per cent). Sweden, October *consumer prices.*

Friday: UK, October retail prices index (up 0.4 per cent on month, 3.5 per cent on year, ex-mortgages up 3.9 per cent); September industrial production (down 0.4 per cent on year), manufacturing output (down 0.1 per cent on month, 0.3 per cent on year); 3rd quarter unit wage costs (up 2.1 per cent on year); 1991 family expenditure survey; CBI/BSL regional industrial trends survey. US, October consumer prices (up 0.2 per cent), ex-food and energy (up 0.2 per cent); October retail sales (up 0.6 per cent), ex-autos (up 0.4 per cent); October real earnings; November Michigan sentiment indicator; November 1 to 10 auto sales (6.2m annual rate). Spain, October consumer prices (up 5.8 per cent on year).

During the week: Japan, October trade balance customs *cleared ($8.8bn); October* wholesale prices (down 0.6 per cent on month, down 1.2 per cent on year). Germany, October wholesale price index (down 0.2 per cent on month), final October cost of living; September volume retail sales (down 3.5 per cent on year); September capital account. Sweden, October unemployment 5.5 per cent. Switzerland *October trade (Sfr110m deficit).*

Peter Norman

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Hays, Forte Crest Hotel, Egerton, Guildford, 12.00
Prestwick Hldgs., Station Road, Ayr, 12.00
BOARD MEETINGS:
Finals:
Wardle Storeys
Interims:
BAA
BMSS
Betterware
Henderson Admin
Prowting
Renold

■ TOMORROW
COMPANY MEETINGS:
Mucklow (A & J), Chamber of Commerce, Edgbaston, Birmingham, 11.00
BOARD MEETINGS:
Finals:
Dickie (James)
YTR
Interims:
Anglian Water
Casket
De La Rue
Fleming High Inc. Inv.
German Inv. Trust
Hartlepools Water
Marshalls
Merchant Retail
Mercury Asset Mngemt.
Norcros
Oxford Instruments
VSEL Consortium
Warburg (SG)

■ WEDNESDAY NOVEMBER 11
COMPANY MEETINGS:
Adwest Group, Hotel Inter-Continental, 1 Hamilton Place, W, 12.00
Canters, 164-170 Queens Road, Sheffield, 11.45
FII Group, Portman Inter-Continental Hotel, 22, Portman Square, W, 12.00
Isotron, Howard Hotel, Temple Place, Strand, WC, 12.00
Tor Inv. Trust, 107, Cheapside, EC, 11.00
Triton Europe, Skinners Hall, 8½, Dowgate Hill, EC, 11.30
BOARD MEETINGS:
Finals:
Bett Bros
Bibby (J.)
Jessups
Scottish Value Trust
Interims:
Amersham Intl.
Chamberlin & Hill
Cook (Wm.)
Dunhill
Electrocomponents
Hambros
King & Shaxson
RIT Capital Partners
Regalian Properties
St. James's Place Cap.
Smith St. Aubyn
Upton & Southern
Wardell Roberts

■ THURSDAY NOVEMBER 12
COMPANY MEETINGS:
Allied Leisure, Streatham Mega Bowl, 142 Streatham Hill, SW, 11.00
BM Group, Ironmongers Hall, Barbican, EC, 10.00
Gent (SR), Painters Hall, Little Trinity Lane, E.C., 10.30
Sinclair (Wm.), The Lawn, Union Road, Lincoln, 11.45
Thorpe (FW), Merse Road, North Moons Moat, Redditch, Worcs., 3.15
BOARD MEETINGS:
Finals:
Burlon
Euromoney Publications
Five Oaks Inv.
Molyneux Estates
Interims:
Appleby Westward
Boots
Christie Group
FKI
Northumbrian Water
Portsmth & Sunderland Nws
Rexmore
Staveley Inds.
Waddington (John)

■ FRIDAY NOVEMBER 13
COMPANY MEETINGS:
Dalgety, Centrepoint, 103 New Oxford Street, WC, 11.30
Ex-Lands, 10 Norwich Street, EC, 9.30
Renishaw, Post House Hotel, Thornbury Road, Alveston, Avon, 12.00
BOARD MEETINGS:
Interims:
Somic
Wilshaw

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Barclays O'seas Inv. Junior Gtd. Und. Fltg. Rate Nts $112.41
Boddington 2.6p
Bristol & West Bldg. Society Fltg. Rate Nts. 1994 £286.48
British Vita 3.5p
Campari Intl. 3.25p
Christiania Bank Prim. Cap. Und. Fltg Rate Nts. $221.61
Golden Hope Plants. M$0.05
Harrington Kilbride 1.5p
Henderson Highland Tst. 1.4p
Hydro-Quebec Fltg Rate Nts. Ser. FV May 2005 $256.95
Intl. Bank for Recon. & Dev. 11.5% Ln. 2003 £5.75
Macro 4 12.61p
Manders 2.6p
North British Can Inv 0.84p
Polypipe 1.34p
Rentokil 0.64p
Scholes 3.4p
Stemnin 0.1p
Sterling Publishing 2p
Watmoughs 2.7p

■ TOMORROW
American Express $0.25
Collateralised Mortgage Sec. (No.12) Class B Mtg. Bckd. Fltg. Rate Nts. 2028 £307.68
HSBC Hldgs. 4.8p
Do. (HK$) HK$0.682072
P & O 6% Cv. Bd. 1st. Ser. 1989 $150.0
Tokyo Dome 5.35% Nts. 1996 Y139,694

■ WEDNESDAY NOV 11
Alliance Tst. 4½% Db. £2.25
British Data Mngemt. 1p
Forth Ports Authority 3¾% Funded Debt £1.875
Gates 4¼% Rd. Db. £2.125
Glasgow Corp. 3½% Irrd. £1.75
Do. Gas 6¾% Annuity £3.375
Do. Gas 9% Anns. £4.50
Do. Water Anns. 50p
Do. Water Funded Debt 3½% £1.75
Do. Water Funded Debt 4% £2.0
Haynes Publishing 3.5p
Investors Capital Tst. 4% Db. £2.0
North Housing Assoc. 8¾% Gtd Ln. 2037 £4.375
Personal Assets Tst. 0.65p
Scottish Eastern Inv. 4% Perp. Db. £2.0
Do. 4% Perp. Db (Rd.) £2.0
Scottish Mortgage & Tst. 4½% Db. £2.25
Securities Tst. of Scotland 7% Db. 1988/93 £3.5

■ THURSDAY NOV 12
Abbeycrest 1.2p
Cantors 3p
Do. A N/Vtg. 3p
Dolphin Pckg. 1.7p
Edmond Hldgs. 0.35p
Euro-Vip Sec. Var. Rate Nts. 2030 Ser B $26386.11
Fisher (James) 0.5p
Forth Ports 2p
Gabicci 0.6p
Johnston Press 2.25p
Liberty 1.85p
Do. N/Vtg. 1.85p
Nat West Bank Var. Rate Cap. Nts. 2008 $106.89
Page (Michael) 0.6p
Scholl 2.8p
Skopbank Ser.B Und. Sb. Var. Rate Nts. $108.18
Standard Chartered Und. Prim. Cap Fltg. Rate Nts. (Ser.2) $220.42
Sumitomo Bank Int. Fin. Gtd. Fltg. Rate Nts. 2000 $95.25
Tilbury Douglas 10.5p
Tor Inv. Tst. Inc. 10p
Do. Cap. 4p
TV-am 4p
Whatman 3.1p
Wolstenholme Rink 8.5p

■ FRIDAY NOV 13
Amdahl $0.025
Anglovaal R0.67
Do. N R0.67
Baltic 0.5p
BBA 2.25p
Boosey & Hawkes 6p
Burndene Invs. 15% Un. Ln. 2007/12 £7.5
Clifford Foods 4.4p
Do. A N/Vtg. 4.4p
Coca-Cola Amatil 7.625% Bd. 1996 $381.25
Derwent Valley 2.9p
Dewhirst 0.32p
EFM Income Tst. 1.2p
Glaxo 11p
Grampian Hldgs. 1.7p
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1994 £130.08
Isotron 2.57p
Laing (John) 3p
Do. A (N/Vtg.) 3p
More O'Ferrall 3.2p
Natl. & Provincial Bldg. Society Fltg. Rate Nts. 1999 £280.79
Pearson 5.375p
Richards Group 1.65p
Royal Bank of Scotland Fltg. Rate Nts. 2005 £129.51
Sappi R0.60
Scottish American Inv 4% Irrd Db £2.0
Sinclair (Wm.) 5.3p
Utd. Newspapers 7.5p
Weir 3.5p

■ SATURDAY NOVEMBER 14
Bemrose 4.3p
BPP 2.7p
Volvo Grp. Fin. Sweden 11% Gtd. Nts. 1995 SKr1100.0

■ SUNDAY NOVEMBER 15
Abbott Labs $0.15
Barclays 8¼% Un. Cap. Ln. 1986/93 £4.125
Do. 16% Un Cap Ln '02/07 £8.0
British Telecom Fin. 9¾% Gtd. Bd. 1998 $488.75
Conversion 9¾% 2006 £4.875
Conversion 10% 1996 £5.0
Exchequer 13¼% Ln. 1996 £6.625
Foreign & Colonial Smaller Co's 6% Cm. Pf. £2.10
Hambros Inv 5% Cm. Pf. 1.75p
Iceland Frozen Foods 3.1p
Inter-American Dev. Bank 9¾% Ln. 2015 £4.875
Nova Corp. of Alberta C$0.06
Roysoot Int. Fin. 11½% Gtd. Bd. 1993 $115.0
TSB Gilt Fd. Ptg. Rd. Pf. (Class A) 2.5p
Tenneco 11% Gtd. Nts. 1995 $110.0
Treasury 12¾% Ln. 1995 £6.375

PARLIAMENTARY DIARY

■ TODAY
Commons: 2.30pm Questions to National Heritage ministers, Public Accounts Committee, Commons Commission and Commons Leader. Education bill, second reading.

Lords: Bankruptcy (Scotland) bill, second reading. Northern Ireland (Emergency Provisions) Act (amendment) order. National Health Service orders. Debate on religious broadcasting.

Public Accounts Committee: Accident and emergency services, Scotland. 4.30pm. Witness, Mr Don Cruikshank, chief executive, NHS in Scotland.

■ TOMMORROW
Commons: 2.30pm Health questions. *3.15pm Questions* to the Prime Minister. Education bill, end of second reading debate.

Lords: Sea fish (conservation) bill, committee. Criminal Justice order. Firearms Act (amendment) regulations.

Trade and Industry *Committee: British energy* policy and the market for coal. 4pm. Witnesses: National Power, British Association of Colliery Management, Electricity Supply Trade Union Council.

■ WEDNESDAY
Commons: 2.30pm Environment questions. Maintenance orders (reciprocal enforcement) bill, all stages. Registered homes (Northern Ireland) order.

Lords: Debate on small businesses' contribution to the economy. Debate on voluntary agencies' work. Damages (Scotland) Bill, committee.

Committees: Environment: Forestry and the environment. 9.15am. Trade and industry: British energy and the market for coal. 10.30am. Witnesses: TUC, NUM, Nacods, British Gas. Agriculture: Arrangements for banana importation into the UK. 10.45am. Witnesses: Various groups of banana exporters. 4.15pm. Fruit importers' association; UK independent banana handlers; British Retail Consortium. Transport: Future of the railways. 11.00am. Witnesses: BR Property Board officials. 4.00pm. Chartered Institute of transport; Institution of civil engineers; Central transport consultative committee; National consumer council. Education: *scrutiny* session. 4.15pm. Witness: Baroness Blatch, education minister. Employment: the consequences of the pit closures programme. 4.15pm. Witnesses: Lord Walker; British Coal Enterprise Ltd. Public Accounts: Westminster and Chelsea hospitals. 4.15pm. Witness: Mr Duncan Nichol, chief executive of the NHS management executive. *Home affairs: domestic* violence. 4.45pm. Witnesses: Victim Support; Women's Aid Foundation of England; Chiswick Family Rescue; Southall Black Sisters.

■ THURSDAY
Commons: 2.30pm Treasury questions. 3.15pm Questions to the Prime Minister. 3.30pm Chancellor Norman Lamont's Autumn Statement. Debate on the adoption law review.

Lords: Judicial pensions and retirement bill, third reading. Legal advice and assistance regulations. European Communities orders. Debate on export credit guarantees.

Committees: Science and technology: the Office of Science and Technology. 10am. Witnesses: Confederation of British industry; Association of the British Pharmaceutical Industry; Chemical Industry Association; Engineering Employers' Federation. Court of Referees: South Yorkshire Light Rail Transit bill. 11.30am.

■ FRIDAY
Commons: 9.30am Backbench debate on small and medium-sized enterprises and the climate for growth.

Lords: Not sitting.

RESULTS DUE

BAA, the privatised UK airport operator, is expected to report higher first-half pre-tax profits on Monday of £200m to £220m. However, last year's £151m followed hefty provisions of £55m for property write-offs and staff cuts.

Although traffic at BAA airports has recovered from the effects of the Gulf war on air travel, the economic slowdown in the UK and other industrialised countries has slowed the upturn. For the full year, City analysts are forecasting pre-tax profits in a range of between £270m and £300m.

Composite insurers General Accident and Royal Insurancer, which report nine-month results on Tuesday and Thursday respectively, are expected to show improvements, but still be in the red.

GA is tipped to reduce losses to £20m (£133m), thanks to higher premiums and the abating of rising claims costs. Depending on claims over Hurricane Andrew, the third quarter could even be profitable. Royal should cut its losses from £214m to about £106m, although it is still being hit by mortgage indemnity losses.

Water company results are skewed towards the first half. Northumbrian, the smallest of the 10 privatised bodies by market capitalisation, is expected to show a 25 per cent rise in pre-tax profit to £39m in the six months to September 30 when it reports on Tuesday.

The interim dividend is forecast to go up by 9 per cent to 7.4p (6.8p).

At Anglian, where Lyonnaise des Eaux Dumez sold its near-9 per cent stake in October, sending tremors through sector share prices, the forecast profit rise is from £91.2m to £101m, with dividend growth of about 8 per cent to 6.8p.

Dunhill, the luxury goods group which reports on Wednesday, is marked down for flat to slightly lower interim pre-tax profits, compared with last year's £31m. A cushioning effect will be higher interest receivable on healthy cash balances of about £180m.

Boots, the retailing and pharmaceuticals group which has weathered the recession better than most, is likely to report resilient interim profits on Thursday.

Analysts believe pre-tax profits may edge ahead to around £180m as the strength of the Boots the Chemists chain and the pharmaceuticals division again shine through.

However, the businesses acquired through Ward White will probably continue to look pretty sickly. BT is expected to show a 40 per cent fall in pretax profits, from £1.6bn to £990m for the half year to September 30 when it announces its results on Thursday.

The main reason for the fall is exceptional charges for the sale of its interest in Mitel Corporation, the troubled Canadian telephone equipment maker, and for the voluntary retirement of 29,000 people.

Royal Dutch/Shell, the Anglo-Dutch oil group, reports its third-quarter figures on Thursday. Most analysts are *forecasting a £550m to £750m* profit on a replacement cost basis, compared with £523m in the same quarter last year, and £481m in the last quarter.

The results are expected to be boosted by foreign currency gains and an accounting adjustment at a subsidiary, forecast to net £50m.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY

In re:
NATIONAL ENVIRONMENTAL GROUP, INC., a Maryland Corporation, ESKEY, INC., a Nevada Corporation and YFC INTERNATIONAL, N.V., a Netherlands Antilles Corporation, Debtors.

Chapter 11
Case Nos. 92-36657 through 92-36659 (WHG)

NOTICE OF MEETING OF CREDITORS
AND DEADLINE FOR CLAIMS

A petition for reorganization under chapter 11 of the Bankruptcy Code has been filed in this court by the debtors named above, and an order for relief has been entered.

MEETING OF CREDITORS
Date: Nov. 23, 1992
Hour: 10:00 A.M.
At: U.S. Courthouse, Hearing Room 101
402 East State Street
Trenton, New Jersey 08608

The debtors' representative, as specified in Bankruptcy Rule 9001(a)(5), is required to appear at the meeting of creditors on the date and at the place set forth above for the purpose of being *examined under oath. Attendance by creditors at the meeting is* welcomed but not required. At the meeting, the creditors may examine the debtors and transact such other business as may properly come before the meeting. The meeting may be continued or adjourned from time to time by notice at the meeting, without further written notice to the creditors.

DEADLINE TO FILE PROOFS OF CLAIM OR INTEREST IS
NOVEMBER 25, 1992, AT 4:00 P.M., TRENTON, NJ TIME

Schedules of creditors and equity security holders have been filed pursuant to Bankruptcy Rule 1007. Proofs of claim or interest ARE NOT REQUIRED TO BE FILED if the claim or interest has been properly scheduled by the Debtors and has not been scheduled as contingent, unliquidated or disputed, or has been previously allowed by order of the Bankruptcy Court. The place to file a proof of claim, either in person or by mail, is the office of the Clerk of the Bankruptcy Court, 402 East State Street, Trenton, New Jersey 08608. Any questions regarding this notice should be directed to Logan & Co., (201) 798-1031.

NOTICE OF DEFAULT IS HEREBY GIVEN pursuant to section 501(6) of the Indenture dated as of May 17, 1983, as amended, between YFC and Bankers Trust Company, as Indenture Trustee, that the filing of the petition which commenced this case constitutes an Event of Default under this section of the Indenture.

Date: October 22, 1992
Trenton, New Jersey

BUILDING CONTRACTS

Lisbon Metro extension

As part of a design and construct tender, **ACER CONSULTANTS** and **KAISER ENGINEERS** will provide design services for a £50m extension of the Lisbon Metro in Portugal.

The tender awarded for this section of the project is designated as Restauradores – Baixa/Chiado and Rossio – Baixa/Chiado – Cais do Sodre.

The design and construct consortium consists of contractors Bento Pedroso Construcoes (BCP), Somague and Agroman plus the design firms of Profabril, Acer and Kaiser Engineers.

The project involves the construction of 2.6km of tunnel; two new underground stations (Cais do Sodre and Baixa Chiado); and the expansion of two stations (Restauradores and Rossio) to increase platform lengths to receive six car trains.

The new works will split the present single metro line into two lines with potential for future extensions.

It has been esimated that the expansion of this section will increase the passenger capacity by 40 per cent, helping to alleviate road traffic and parking in central Lisbon. Completion of the project is scheduled for May 1995.

Construction methods will include a combination of NATM, shield, cut and cover (top down) and underpinning techniques.

Upgrading M25 orbital motorway

BIRSE CONSTRUCTION has been awarded a motorway maintenance contract worth £11.9m. The contract relates to the partial reconstruction and overlay of a 7.5 kilometre section of the M25 between Junction 5 (Sevenoaks) and Junction 7 (M23).

Birse Construction has also been given other road contracts, including the A563 for Leicestershire County Council (£2.5m) and at Trafford Park, Manchester (£1.4m).

Social housing

GRANITE CONSTRUCTION has won a £10m contract for a housing association development in Newark.

The project for Nottingham Community Housing Association is part of a mixed residential/commercial scheme and covers six acres of derelict riverside land in the heart of Newark.

Railway project

BALFOUR BEATTY's plant division has received a design, manufacture and supply contract for specialist re-railing equipment for the Channel Tunnel.

The £680,000 contract has been let by Transmanche Link, acting on behalf of Eurotunnel.

Arms training centre

TRAFALGAR HOUSE and **TAYLOR WOODROW** have been awarded the master plan study for the construction of a combat arms training centre by the Malaysian Government.

The contract is for the development of a plan which will provide accommodation, training and support facilities on a 38,000 acre site at GEMAS, astride Negeri Sembilan and Johore, some 170 kilometres south of Kuala Lumpur.

Mechanised letter sorting office

MILLER CONSTRUCTION, part of the Miller Group, has been awarded the £11.5m contract to build and fit out the new mechanised letter sorting office for the Royal Mail at St Rollox, Glasgow.

The building, 180 metres long by 90 metres wide and covering an area of 17,571 sq metres, is being built on a 16 acre site which is part of Miller Developments' 55 acre St Rollox redevelopment scheme for retail warehousing and business/industrial uses.

The contract is for designing, building and fitting out an automated letter processing centre, comprising a 14,000 sq metres sorting facility and an adjoining two-storey office block of 3,000 sq metres.

The Royal Mail is the first occupant of the St Rollox development, which is being undertaken by Hiller Developments in association with Glasgow Development Agency and British Rail Property Board.

£27m workload for Lonrho division

During recent months contract awards totalling just over £27m have been won by **LONRHO**'s contracting division.

Among the contracts awarded to Bernard Sunley & Sons is a management contract for the refurbishment of offices and new restaurant facilities in London for the Guardian Newspaper valued at £2.7m, construction of Phase 1, including community hall, youth club, roadworks and car park at North Cheam for J Sainsbury valued at £2.4m, construction and fitting-out of a cinema complex at Chelmsford for Odeon Cinemas, valued at £1.7m, environmental improvements to residential blocks at Hendon for London Borough of Barnet valued at £1.5m, refurbishment works to basement studios at Broadcasting House, London for the BBC valued at £1.3m and construction and refurbishment of police headquarters and training school at Braintree for the MOD (£1.1m).

Offices development in Chelmsford

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded a £12.1m contract to build offices in Chelmsford for GEC-Marconi Communications.

The redevelopment of the site comprises the construction of offices on three levels with a basement car park below and extensive landscaping with further car parking.

The reinforced concrete frame of the building will stand on piled foundations and will be clad in contrasting brickwork with feature windows and curtain walling.

The office block will occupy a plan area of 6,500 sq metres within a six acre site. Features will include an atrium, two open courtyards and rooflights.

Completion of the project is due in September 1993.

PEOPLE

New finance director for L&M

London & Manchester, the Exeter-based life insurance company recently fined £80,000 by Lautro for breaches of sales regulations, has appointed a new group finance director.

The job will entail having to cope with many changes over the next few years.

Martin Jackson, 44, the new incumbent, is a chartered accountant who has been with L&M for the past four years. His work as an accountant took him from Peat Marwick, where he worked for nine years from 1971 to 1980, to Touche Ross.

Then he had rather more exotic work in internal audit in the Gulf for the Emirates International Bank and advising the government of the Sultanate of Oman.

The stresses and strains currently afflicting the UK's life industry should give him plenty more work in the years ahead.

Apart from the current controversy over how the industry should be regulated, Jackson also points to the introduction of accruals accounting, announced this week by the Prudential, and to the criticism the industry has received for high front-end charges on its products.

He said: "Inevitably as a public quoted company we are bound to go the accruals accounting route in the next few years, unless it fails miserably with the companies which do introduce it." The question of when L&M times its move, however, could be much more complicated.

On the broader problems for the industry, he believes that L&M should not keep its "head in the sand", but stand up and be counted. He also believes that technological advances, and the use of computers in the field, could engineer a lot of change for the industry.

Heley: vice-chairman at Hill Samuel

Richard Heley, head of corporate finance at Hill Samuel, has been promoted to vice chairman, enabling him to devote more time to generating new business, while leaving others to run the day-to-day operations of the department.

Heley, 44, who says his expertise is "domestic transactions – from the biggest and most complicated to the smallest and most complicated", claims to be busier than he has been for a long time. While underwriting fee income, a crucial constituent in the profitability of City corporate finance departments, has dropped away almost completely, Heley says that, since advising on the Brent Walker restructuring, there has been a steady stream of other mandates, including Control Securities, as well as two other restructurings which are not yet in the public domain.

Hill Samuel has one other vice chairman, Murray Stuart, who is also chairman of Scottish Power.

Meanwhile the day-to-day running of the division will be taken on by three directors, all of whom will report to Stuart: Edward Buchan will be in charge of operations; Martin Anderson of international; and Sir Mark Wrightson of marketing.

Originally an economist at Phillips & Drew, Heley joined Hill Samuel for first time in 1974, becoming a director in 1980. He moved to BZW in 1986, as head of merchant banking corporate finance. He returned to Hill Samuel in 1990.

- **Frank Pipkin** has been promoted to director of finance and administration at BROTHER INDUSTRIES (UK).
- **John Lindop**, formerly a director of Wise Speke, has been appointed company secretary of CRANSWICK.
- **Nigel Gee**, md of the fashion division, and **David Moss**, deputy md of the classic and mainstream divisions, have been promoted to the main board of MOSS BROS GROUP.
- **David Evans** (right) is promoted to research director for ICI Agrochemicals on the retirement at the end of the year of John Finney, the development director.

- **Tom Vyner**, joint md, is also appointed deputy chairman of J SAINSBURY.
- **Scott Dodkins**, formerly marketing and development director of Cartwright Brice, has been appointed sales director of LABATT BREWING UK; he succeeds Walt Lemmon who is returning to Canada.

CONTRACTS & TENDERS

COMPANY NOTICE

LEGAL NOTICES

Demarcation lines are out and teamwork is in at a new car plant in Swindon, says **John Griffiths**

Honda reaches accord in UK

Putting teamwork to the test: the first British-built Honda Accord going through final checks on the line at the new Swindon plant

The receptionist at Honda's manufacturing complex has not yet had to leave her desk to help screw widgets together on the engine assembly line. But, if asked, she is perfectly prepared to do so. Indeed, it would be expected in the unlikely event of a sudden shop-floor crisis at the Japanese car-maker's £370m plant at Swindon, 80 miles west of London.

The receptionist would even be appropriately dressed. As a matter of daily routine she wears overalls similar to those of Shojiro Miyake, managing director of Honda manufacturing in the UK and president of Honda Motor Europe. They are the same overalls that are worn by the remaining 844 employees and directors currently working at the 360-acre site.

She could find herself swapping spanners on the assembly line with Andrew Jones, the plant manager who was last week made a director Honda of the UK Manufacturing. A former BT personnel director, with experience in the mining industry, he has operational control of a complex that already inspects and tests some 40,000 Honda Concertos built for it by its Rover Group partner. The plant also makes more than 100,000 engines a year and has just started producing the first of what, by the mid-1990s, will be 100,000 Honda cars a year.

Jones makes clear that, if the need is sufficiently urgent, no one in the plant is too senior, or exempt for any other reason, from helping out on even the most humble tasks. He has no office or secretary. But then neither do any other of the plant's most senior employees, including Miyake.

There are other cultural aspects of Honda's Swindon operation which, like the status-shrouding overalls, have already acquired a familiar ring to western ears through Japanese companies which have long preceded Honda into Europe.

Everyone at Swindon is on the same pension scheme, sick pay conditions and holiday entitlement. There is no reserved parking. Everyone uses the same changing rooms and canteen. There are no formal job descriptions and there are no workers or directors, only "associates".

Nothing better illustrates the attitudes being promoted by Honda than the company's move to a shorter working week. During 1990, following a concerted campaign by engineering unions, indigenous companies horse-traded with their employees over the terms for moving from 40 hours to 39. At the same time, Honda's Swindon employees were told they could move from a 40 to a 37-hour week – without preconditions.

"What we said was, 'look, effectively we're giving you 5.1 per cent time at the same rate of pay. Will you please make up the difference?'" recalls Jones. "And it came – in the form of hundreds of small ideas which improved the way we work and our overall levels of efficiency."

It was not just the shorter hours but the way in which they were organised which has helped to foster good relations within a plant which has no union representation or recognition – and no plans for any.

Says Jones: "We have a young work force with an average age of 29. They're a social lot. They mostly like a drink and the opposite sex and we quite understood that on Friday nights they'd really like to leave early.

"Ordinarily, the second of the two shifts within the engine and vehicle inspection plants finishes at midnight. But by making both morning and evening shifts shorter by two hours, and cutting the normal gap between first and second shifts from the usual one hour and 10 minutes to 10 minutes, everyone gets to go home on Friday by 6.30 at latest."

Currently, only a handful of Accords are coming off the line each day – a function of what Jones acknowledges to be an "obsession" with quality, and of the small teams grouped on the assembly line learning for themselves how best to organise their work.

Jones says it will be 12 to 18 months before the Swindon plant is producing at its single-shift capacity of 50,000 cars a year, so anxious is Honda to set high quality standards from the start. Nevertheless, the build-up is under way, and employment at the plant will pass the 1,000 mark in early January, en route to 1,500 jobs by the end of next year as single-shift capacity nears, and an eventual 2,000 in the mid-1990s.

"Teamwork" crops up in almost every sentence uttered by Jones: "It is critical. So many people talk of good teamwork as if it's some kind of philosopher's stone. In our case it translates as an overriding objective to develop together. If you were to go out on the line, you would find no work study or industrial engineers timing everything – we expect our people to develop their own jobs and functions."

The car plant work force is being "grown" organically from a core of about 100 people who were among the first employees at the pre-delivery inspection (PDI) centre – operational since 1986 – and the engine plant which has been on stream since 1989. "The advantage is that the PDI people came with an understanding of all aspects of the car, and people from the engine centre came with an awareness of the importance of meeting production targets."

Working in teams of four, they are said by Jones to have gained great breadth of understanding and knowledge from each other. Initial teams were formed by one Japanese training one "Brit". Both would then train two more Britons. All four would train another four – and so the process continues today.

"Teamwork means that we reject class differentiation and job demarcation. We don't accept anyone as being more important than anyone else. If we are recruiting at a senior level, that recruit spends at least one month on the shop floor. So if you want high status, a secretary and an expensive desk to keep everyone at a distance – don't come and work here," says Jones.

The majority of the current work force has been recruited locally, many during a period when unemployment in the Swindon region was under 3 per cent. Now it is 9 per cent but the recruitment programme continues almost invisibly, with initial recommendations spreading by word of mouth. Each candidate has to pass two interviews and, more recently, an aptitude test.

All staff are involved in daily start-of-shift briefings and are fully briefed from weekly management meetings. At the start of each month all staff review with Jones and his closest associates the company's current position and operating activities as well as welcoming new "associates". There are also monthly "birthday party" get-togethers in which all staff with a birthday that month meet socially and to swap ideas with Miyake, Jones and other senior colleagues.

There are also regular "Y-Gaya" meetings involving all groups of employees. The phrase stands for "free, frank interchance of views". The idea, says Jones, is continually to widen understanding and spread knowledge.

There are now 52 "new Honda circles" - teams of six people looking for continuous improvement within defined areas that the team itself selects. They include new ideas, training, environment and safety. As an example, one "associate" was burned while deep in the foundry area, undertaking maintenance. His circle devised a new system which now means that no one needs to enter the hazard area.

The sometimes roguishly self-named circles have plaques created in token of their achievements. Honda, says Jones, has no problem publicly acknowledging its gratitude to, among other teams, the "Missionary Position" and "Three Men and a Ferret".

At the cutting edge of budget plans

John Willman reports on civil servants making hard choices

As the Cabinet puts the finishing touches to next year's public expenditure plans, senior civil servants all over Whitehall are preparing contingency plans for implementing budget cuts.

The decisions are often agonising and can be particularly hard when comparisons between different projects depend on subjective judgments about their merits.

How, for example, to decide between an extra 1,000 places in nursery schools or spending the same amount on improved teacher training?

Or between competing research proposals in different technical areas, all of which might bring benefits to British industry – the problem faced by one branch of the Research and Technology Division of the Department of Trade and Industry?

"We have to set priorities among a dozen or so programmes," says Richard King, the head of the branch. "Without some comparative indicator of cost-benefit, we had to rely on subjective advice, with all the difficulties of reading across from one field to another."

This year, the branch has used a new system to decide priorities on these programmes using much more objective criteria.

Developed with Generics Group, the Cambridge-based consultants, it converts a wide variety of expert opinion and judgment into a single quantitative measure – the expected benefit indicator.

The EBI has two elements.

- A policy score which evaluates how much each project contributes to meeting policy objectives. For the DTI, these objectives are the seven set for the department in the 1989 white paper – for example, improving quality in UK industry and assisting innovation. The extent to which each project meets these seven policy objectives is assessed by the DTI's own expert advisers using common criteria.

These assessments are then weighted and standardised, producing scores which are comparable between different projects.

- An economic importance indicator, reflecting the value of the industrial activities which might be affected by the project. The inclusion of this element means that projects which are attractive on policy grounds are downgraded if they would have only a marginal impact on the economy.

Again, expert advice is used to decide which sectors of the economy are likely to be affected by each project and the degree to which they will be affected. The current gross sales figures for each sector are projected forward to give a snapshot of the economic benefits of each project in 10 years' time. Multiplying these two elements together produces the EBI which can be set against the anticipated costs to produce a cost/benefit ranking of projects. The results so far have been promising, according to King.

"Not only did it succeed in producing a ranking for programmes, it also did so in a way which seems to make sense to our advisers and specialists. It is clearly important that they should respect the methodology if it is to be useful in establishing consensus over priorities."

For now, the system is used only in this one branch of the DTI. But with increasing emphasis on value for money in public spending, interest is likely from other budget-holders looking to optimise the allocation of scarce resources.

ARTS

Chester Square, one of the Belgravia terraces belonging to the Grosvenor Estate

Architecture/Colin Amery

London's heritage in danger

In all the rumpus about English Heritage engendered by its chairman Mr Jocelyn Stevens's recent pronouncements about it's future, there is a whole area that seems to deserve much closer attention, analysis and comment. That area is London.

London's heritage of historic buildings is now supervised by English Heritage. English Heritage was set up by Mr Michael Heseltine in 1984 as a quango divorced from its natural home in the Department of the Environment.

In the world of conservation and the heritage, as in so many other areas, the nation now suffers greatly from the impulsiveness of Mr Michael Heseltine. He has never been a minister to think very thoroughly about the consequences of his impulses. English Heritage, with its logo and management teams, may have looked good, but it has never functioned well because of its hybrid status: neither independent nor government; responsible to two ministers – Environment and National Heritage; and run by civil servants struggling to be "independent."

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London's heritage had, until 1986, been increasingly well looked after by the Historic Buildings Division of the Greater London Council. When the GLC was abolished by the Conservative government under Mrs Thatcher, this division found itself transported to the confused realm of English Heritage. The abolition of the GLC left London as probably the only capital city in the world with no form of metropolitan government. Mercifully the one anomaly was in the area of historic buildings, where London continued to receive special treatment by the transfer of the GLC's powers to English Heritage.

From 1986 English Heritage has had the residual local authority powers to "direct" the decisions of the London Boroughs in relation to listed building consent applications; in other parts of the country English Heritage only advise. In London English Heritage is concerned with applications for all listed buildings; elsewhere English Heritage only deals with the top two grades of listed buildings. This may seem technical and irrelevant, but what it means is that London's historic buildings and conservation areas receive the best possible protection and "heritage advice."

But in the recently issued "Background paper 5" that accompanied the strategy document "Managing England's Heritage – Setting Our Priorities for the 1990s", English Heritage announces that it intends to "withdraw from what are essentially local authorities' responsibilities, in relation to Grade II buildings" – which in effect means the end of any special status for London, and the end of the once superb London Division. How curious that Mr Stevens, who has publicly stated that all his officials' proposed changes are about "raising our standards not dropping them", should deliver the *fate* of the majority of London's listed buildings into the hands of the London Boroughs who will be reluctant to find funds to protect them adequately.

It would be agreeable to think that back in 1986 the reason the GLC's Historic Buildings Division was moved lock, stock and barrel to English Heritage was because it was so good at its job. No one could possibly doubt the quality of the staff and their work. The London Division should be the *exemplar* for the rest of the country. Instead it is to be broken up to meet the wishes of bureaucratic levellers who dislike exceptions to the rule. In the recent report of the National Audit Office on English Heritage, while the organisation as a whole was criticised for inefficiency and lethargy, the London Division was said to be doing its job too well – and was criticised for the quality of its work being too high! Of course, it has to be abolished...

How can any London borough, when its own interests are at stake, act independently when it comes to the demolition of listed buildings?

Mr Stevens is a man who wants quick results. He has not thought through the question of London's heritage. Only a few of the London boroughs have effective conservation officers and there is little likelihood of any more government funds. Why is it that what was accepted for London in parliament by the minister at the time in 1985, Mr Kenneth Baker, is suddenly seen as too good to be workable.

The advantages of the London Division of English Heritage are clear – the chief one being its independence. How can any London Borough, when its own interests are at stake, act independently when it comes to the demolition of listed buildings? Mr Stevens will no doubt point to other areas of the country, but the pressures on the capital are different and need special treatment.

London's historic areas are endangered by another Government measure which was debated in Parliament last week. The leasehold reforms proposed in the Housing and Urban Development Bill, are, if they are carried through, bound to have very mixed consequences for London's architectural heritage. Much of central London still belongs to the great estates that developed their London properties in the 18th and 19th centuries.

Some of the most beautiful and well maintained squares and crescents are managed by the estates to a remarkably high standard. Bedford, Grosvenor, Cadogan, Thurloe, Howard de Walden, Portman – an historic litany of names that have created the character of many of the best parts of the capital. No landlord is perfect but it is hard to see any hint of intelligent alternative management proposals in the current legislation.

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Compare Belgravia with Pimlico and the environmental differences are striking. Look at the parts of the Portman estate that are retained in Marylebone and compare them with the condition of the streets to the north that were sold after the war. Covenants seldom work effectively and neighbourhood associations depend on volunteers or committees that seldom agree. It has been said that Paris and Edinburgh show that cities can retain architectural quality without a leasehold system. But in both those cities there is a great deal of rented accommodation at the centre and the buildings are simple maintained by landlords who own the buildings. London's great estates are unique and valuable and have retained mixed residential communities in the city centre. A freehold free for all is not the solution.

A fairer leasehold system perhaps with real safeguards for architectural management and conservation is what is needed. The present Bill, if passed in its present form, looks as though it will sweep away the good landlords with the bad and, like the English Heritage proposals, weaken the protection afforded to the delicate architectural fabric of the capital.

Pantomime/Malcolm Rutherford

A dragon with three heads

The pantomime season has started early at the Royal National Theatre, and a very clever choice has been made. *Dragon*, by the Russian playwright Yevgeny Shvarts, is actually more of a fairy tale than a panto. It also has more than a touch of satire. Whichever way you look at it, it fulfils the seasonal requirement of containing something for everyone.

Shvarts (1896-1958) was one of those writers who, however hard he tried to write in code, was generally seen through by the censors, so that his works were seldom performed in his lifetime. *Dragon* was stopped in its tracks in Leningrad in 1944 and not publicly shown in the Soviet Union until 1962 – after the denunciation of Stalin. There was an language version at the Royal Court in 1967.

One can see why the censors objected. The dragon is plainly Stalin: he has three heads and it is no use cutting off just one. Moreover, the moral goes further: those who slay the dragon, or are accomplices to the act, are quite capable of becoming dragons themselves and perhaps even more tyrannical than the original.

So much for the politics. A dragon with three heads is a wonderful subject for a fairy tale. In this new version by Alan Cumming and Ultz, everything has been thrown together: the resources of the Olivier stage, villains, a damsel in distress, a talking cat. Some assistance from the television programme, *Spitting Image*, and the latest in rap from MC Kinky, who used to work with Boy George.

There is a story as well. The dragon is slain by Lancelot who disappears after the battle as mysteriously as he has arrived. That is when the new tyranny sets in and the prisons become even fuller. After a year, however, Lancelot returns and the ending is happy, even sententious: "The dragon is each and every one of us must be slain."

I can't say I much liked the music, though others may disagree. Among the parts that stood out for me were "a spot of market research" by the new villains. They consult a fish, a snake ("there's another slippery customer") and a parrot, which simply repeats what they have just said. Then there is the traditional pantomime technique in asking the audience (let's have a referendum) "do you want us to kill the dragon?" Overwhelming shouts of "yes".

The revolving stage and all the resources of lighting and sound are used to the full. There is the noise of an aerial battle involving helicopters and light aircraft as the dragon is finally killed. When Lancelot is absent and rumours start as to his whereabouts, the letter "L" begins to appear all over the theatre. Scott Brooker of *Spitting Image* has been at work on dragon, whose three heads are separately cast, like giving a credit to the hindlegs of the pantomime horse.

Minor delights include the talking blue cat, Lancelot bouncing up and down a group of puppet dogs ("they set the dogs on me and we became friends") and the piglets who turn out still to be alive on the banquet table.

Ultz directs as well as designs. The cast is changing parts each performance, so *Dragon* is almost the ultimate in company playing. There is no guarantee that it will be the same show every time. Saturday's was delightful; parents might like to know that it lasts less than two hours with an interval.

Repertory. Olivier Theatre. (071 928 2252)

Gary Lydon and Dervla Kirwan in A Handful of Stars, the first part of Billy Roche's Wexford Trilogy which is now playing at the Bush Theatre, London W12 where it had its premiere in 1988. The second and third parts, Poor Beast in the Rain and Belfry will follow shortly. (081 743 3388)

Soleil's circus extravaganza

Soleil's newest circus extravaganza, Saltimbanco, now playing in Los Angeles at the beginning of a two-year North American tour, is a wonderful evening's entertainment that can be enjoyed as pure spectacle, but contains some subtle and profound messages as well. If only the Canadian troupe didn't try so hard to convince us that Saltimbanco (an Italian word for street performer) carries some deep, mysterious – and, eventually – non-existent overall meaning.

Tying Saltimbanco's individual circus acts together with recurrent characters, music, and even a story line is in theory a good idea, but the performers play it all out with an air of self-importance and exultation that is distracting and often downright silly.

Epitomising this is Francine Poitras, the chanteuse whose vocals mark the first use of the human voice in any of Cirque's productions. She wafts and struts around the stage, sweeping her arms in arcs with gossamer sleeves floating along behind, her strong and well-trained voice singing – gibberish. That she is singing nonsense words is never mentioned in the programme; many audience members assumed that she was speaking Québeçois Cirque's native French. The intention behind this is not to preference any one language over another, but does this really necessitate meaninglessness?

The performers of the spectacular circus acts carry off Cirque's trademark attitude of exultation more successfully than the incidental players. Twins Karyne and Sarah Steban gaze into each other's eyes with awe throughout their trapeze act because their dexterity, daring and mutual trust is indeed awesome.

Cirque's performers are surely at the forefront of their craft. Cuban Miguel Herrera literally turns juggling upside down, bouncing seven balls off the floor at once. A team of 15 acrobats performs a Chinese pole-climbing act extraordinary not only in the acrobats' balance and strength but also in the beauty of the pictures they create as they hang in the air.

As with all of Cirque's spectaculars, Saltimbanco is circus updated to be politically correct – no animal acts nor scantily clad women sawn in half. A rock band, spectacular lighting effects, gusts of dry-ice fog and the inclusion of a child in the production makes Saltimbanco particularly appealing to children.

Clown René Bazinet provides Saltimbanco's sublimest moments. Bazinet, who looks like Goofy, takes an audience member – the evening I attended, an average-looking thirty-something fellow – and trains him in clown tricks for nearly half an hour. The Cirque band and unobtrusive microphone system help Bazinet provide hilarious sound effects which makes the improvised act seem rehearsed.

Karen Fricker

Shostakovich's Fourth Symphony

With Alexander Lazarev in charge, the BBC Symphony transmitted Shostakovich's Fourth Symphony with singular power on Thursday, to a Festival Hall audience arranged in the ideal way: all eagerly crowded around the platform, front and sides, as close as numbers permitted.

Never mind the rows of empty seats at the back of the Terrace, and in the Grand Tier (thrifty music-lovers know that every BBC concert will sooner or later be broadcast in digital stereo); the BBC's new pricing-policy – a flat £9 for any seat, all unreserved – has secured a heartening result.

Too many South Bank and Barbican concerts find themselves with little strips of audience in the Stalls, arranged according to disposable income (or pecking-order within a corporate patron) and insulated by unoccupied gaps, while the cheaper seats far away may be crammed full.

Along with Valery Gergiev, whom we know so far chiefly in opera, Lazarev – now the BBC's Principal Guest Conductor – is the happiest discovery among the newer Russian maestros. This Shostakovich Fourth was superbly prepared (the BBC Symphony, swollen for the occasion, on their best form – a serious compliment these days) and enacted with knife-edge dramatic sense. The composer finished it in 1936, *after* his popular triumph with *Lady Macbeth of Mtsensk* had been curdled by Stalin and Zhdanov's disapproval.

That was a crisis-point. It can be no accident that the Finale is so restless and distracted, where his original intentions promised something more incisively confident; nor that the lingering, frozen coda is so fraught with passive foreboding. Willy-nilly, the Fourth became Shostakovich's first large-scale exercise in compromise and concealment.

Yet it tingles with compositional vitality, which Lazarev rendered in vivid colours (including the strangest, most haunted ones) and tautly ordered succession. Even the best digital stereo cannot have captured the full force of this searching performance.

Before it Ida Haendel played Britten's Violin Concerto with her usual grace and flawless musicianship. In her silver-age years, she is becoming as much of a prodigy again as at the precocious start of her career. The Concerto remains the product of a fluently gifted young composer (he was 26, newly self-exiled to America) with no pressing urge to write one thing rather than another. The piece parades a lot of wry, ingenious detail without an overriding purpose.

There is no particular reason why Lazarev should feel any special sympathy for it, but he did it proud: I don't remember any previous performance in which Britten's inventions have sounded so red-blooded and buoyant.

David Murray

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS

● **Schauspielhaus:** Andrew Davis conducts Berlin Radio Symphony Orchestra tonight in Schumann's Second Symphony and Elgar's Introduction and Allegro for Strings. Thurs: Ukraine National Symphony Orchestra plays Musorgsky and Prokofiev (2090 2156)

● **Philharmonie:** James Levine conducts tonight's concert by the Berlin Philharmonic Orchestra, with works by Berlioz, Debussy and Elgar. Thurs, Fri, Sat: Seiji Ozawa conducts Bartók's Concerto for Orchestra and Tchaikovsky's First Symphony. Next Mon: James Galway. Tonight in Kammermusiksaal: Berlin Baroque Orchestra. Tomorrow: Soloists of Berlin Radio Symphony Orchestra. Wed: sacred music by Haydn and Mozart. Thurs: Berlin Philharmonic Wind Ensemble (2548 8232)

● Other events: Lothar Zagrosek conducts an orchestral concert at the Komische Oper on Thurs, featuring Beethoven's Fourth Piano Concerto with Tatiana Nikolaeva as soloist (2292 555). Daniel Barenboim conducts the Berlin Staatskapelle in works by Beethoven, Berg and Strauss on Fri and Sat at the Staatsoper unter den Linden (2004 762)

● This year's JazzFest Berlin at the Philharmonie Nov 26-29 features Milt Jackson, David Friedman, Lionel Hampton and others (254890)

OPERA

Deutsche Oper This week's repertory includes La forza del destino on Wed, Tosca on Fri, Peter Schaufuss' production of La Sylphide on Sat and Tannhäuser with Anne Evans on Sun (3410 249)

Staatsoper unter den Linden Eva Mei and Matti Salminen star in tonight's performance of Entführung. Tomorrow: Salome with Karen Huffstodt and Monte Pederson. Wed: Der Freischütz with Magda Hajossyova and Reiner Goldberg. Thurs: Il barbiere di Siviglia. Sun: Giselle. Nov 18: Peter Schreier sings Winterreise. Nov 22: Barenboim conducts Parsifal (2004 762)

GENEVA

OPERA/CONCERTS

Armin Jordan conducts Orchestre de la Suisse Romande tomorrow in Victoria Hall, in a programme of Rakhmaninov's Paganini Rhapsody (Valentin Gheorghiu) and Mahler's First Symphony (311 2511). Horst Stein conducts Andreas Homoki's new production of Die Frau ohne Schatten at the Grand Théâtre on Wed and Sat, with a cast headed by Wolfgang Schoene, Deborah Polaski, Thomas Moser, Ellen Shade and Reinhild Runkel (311 2311)

THEATRE

A production of two short plays by Marivaux can be seen daily except Sun and Mon at the Comédie (320 5001).
Gorki-Tovstonogov Theatre of St Petersburg brings an Ovstrovsky production to Théâtre de Carouge Nov 17-29 (343 4343)

MILAN

Teatro alla Scala Riccardo Muti conducts an orchestral concert on Wed. Dmitri Hvorostovsky gives a song recital on Nov 23. The 1992-3 opera season opens on Dec 7 with a Zeffirelli/Muti production of Don Carlo starring Luciano Pavarotti (7200 3744)

NEW YORK

OPERA/DANCE

Metropolitan Opera Christine Weidinger sings the title role in tonight's performance of Semiramide (also Fri). Tomorrow and Sat afternoon: L'elisir d'amore with Ruth Ann Swenson. Wed and Sat evening: Tosca with Carol Neblett (Wed) and Ghena Dimitrova (Sat). Thurs: Madama Butterfly with Diana Soviero. Nov 19: first night of new production of Lucia di Lammermoor starring June Anderson (362 6000)

State Theater Tomorrow's performance by New York City Opera is Carmen. The rest of the week is devoted to Nash Schmidt and Jones' 110 In The Shade, which brings the City Opera season to an end on Sat. New York City Ballet opens its winter season next Tues (870 5570)

CONCERTS

● Valery Gergiev conducts tonight's concert by the Kirov Opera Orchestra at Avery Fisher Hall, with a programme of Tchaikovsky's Sleeping Beauty excerpts and Sixth Symphony, plus Shostakovich's First Violin Concerto (Vadim Repin). Thurs, Fri afternoon, Sat and next Tues: André Previn conducts New York Philharmonic in works by Haydn, Ravel and Beethoven, with piano soloist Emanuel Ax. Fri evening: American Symphony Orchestra plays works by Varèse, Poulenc, Cage and Koechlin (875 5030)

● Carnegie Hall's programme includes a concert on Sat by Orpheus Chamber Orchestra, with vocal soloists Martina Arroyo and Paul Plishka. Sun afternoon: Thomas Hampson song recital, Sun evening: Trevor Pinnock conducts National Arts Centre Orchestra of Ottawa, with violin soloist Dmitri Sitkovetsky. Next Mon: Alicia de Larrocha piano recital. Next Tues: Tennstedt conducts Mahler (247 7800)

● Other events include a concert tonight at Walter Reade Theater, in which Gerard Schwarz conducts Music Today Ensemble in Walton's Façade (721 6500). Wed at Alice Tully Hall: Guarneri Quartet and friends (721 6500). Wed at Merkin Concert Hall: Bach's Magnificat (362 8719). Fri and Sat at Brooklyn Academy of Music: world premiere of Low Symphony, new work by Philip Glass. Nov 19-23: Einstein on the Beach (718-636 4100)

VIENNA

OPERA

Staatsoper This week's performances begin on Wed with Capriccio. Thurs and next Tues: Tosca with Mara Zampieri, Neil Shicoff and Jean-Philippe Lafont. Fri: Prokofiev's ballet Romeo and Juliet. Sat: Der Rosenkavalier. Sun: Die Zauberflöte. Next Mon: Ariadne auf Naxos (51444 2960)

Volksoper Tonight's performance is Le nozze di Figaro. Tomorrow: new production of Gottfried von Einem's opera Dantons Tod. Wed: Lady Macbeth of Mtsensk. Fri: Das Land des Lächelns. Sat: My Fair Lady (51444 3318)

WIEN MODERN

Vienna's annual contemporary music festival focuses this year on Dallapiccola, Henze, Xenakis and Schwertsik. Tonight's concert by Ensemble InterContemporain includes works by Dallapiccola and Stockhausen. Wed: Arcus Ensemble plays Xenakis. Thurs: Haydn Trio. Fri and Sat: Christa and Kurt Schwertsik host an evening of his songs. Sun: Heinz Holliger conducts Vienna Chamber Orchestra in works by Henze, Nono and Dallapiccola. Next Mon: Michael Boder conducts Henze's Tristan. The festival runs till Nov 27. Most events take place in the Konzerthaus (712 46860)

CONCERTS

Grace Bumbry gives a song recital tonight and Wed at the Musikverein. This year's Schubertiade opens on Thurs with a performance of Schubert's oratorio Lazarus. Hermann Prey gives a Schubert recital on Sat, and Andras Schiff continues his Schubert piano cycle on Sun morning. Nov 20, 21, 22: James Levine conducts the Vienna Philharmonic (505 8190). At the Konzerthaus, Mitsuko Uchida gives a piano recital tomorrow. Paul Badura-Skoda takes part in an evening of piano duos on Fri. Waltraud Meier gives a song recital on Sun (712 1211). BBC Welsh Symphony Orchestra plays at the Konzerthaus next Mon and the Musiverein next Tues.

THEATRE

Claus Peymann directs a new production of Goldoni's The Impresario of Smyrna, opening at the Burgtheater on Sat (51444 2218). Theater an der Wien has Elisabeth, a new musical about the child bride of Emperor Franz Joseph, daily except Wed (588 30265). The Volkstheater repertory includes a new production of Edward Bond's The Sea (932776).

Theater in der Josefstadt has Peter Shaffer's Amadeus and Ariel Dorfman's Death and the Maiden (402 5127).

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday November 9 1992

Spending dilemmas

A GOVERNMENT that aims to achieve credibility by sticking to pre-announced targets is doomed to discomfort. Either it abandons its targets, which makes it look ridiculous, or its sticks to them, which makes it look dogmatic. In the case of the often-repeated commitment to the ERM, the UK government now looks ridiculous. By all accounts, this week's Autumn Statement on public spending will make it look dogmatic.

Yet dogmatism would be better than succumbing to the now pervasive sense of panic. In an all too familiar *volte face*, erstwhile emulators of the Germans have switched unblushingly to "go go" economics. What the chancellor of the exchequer needs to do is ignore the panic and elaborate, instead, his still sketchy medium-term framework for policy.

With the loss of government's main economic policy and the economy teetering between recovery and depression, the details of Mr Lamont's spending proposals are a second-order issue. What matters most is to get the right relationship between fiscal and other policies and to put forward credible proposals for dealing with the dismal long-term prospects for the public finances.

In resisting a fiscal splurge, the chancellor should stress once more the substantial easing of monetary policy that has occurred since September 16. In all probability, a further easing of monetary policy would be more appropriate than the fiscal alternatives. It is too early to argue that further monetary loosening will, in Keynes' famous phrase, be like pushing on a string.

Deficit danger

Mr Lamont should also stress the link between inflation, pay, devaluation and the prospects for sustained recovery. Particularly after a devaluation which is now 13 per cent on the trade weighted effective exchange rate, inflation cannot be assumed to be a thing of the past. The devaluation will also fail to provide an enduring improvement in competitiveness if the rate of growth of real wages does not fall and profitability in the production of tradable goods does not rise.

Where does fiscal policy and public spending fit into the picture? The main point here is the dire prospects for public finances in the longer term. The public sector borrowing requirement this year may be about £35bn (5¼ per cent of gross domestic product) and well over £40bn next year (6 to 7 per cent of GDP). That looks bad, but oceans of red ink can be tolerated in a slump. More worryingly, such deficits could become structural, partly because of the permanent increase in the interest bill (some £3bn-£4bn for each year of such deficits), but still more because of what has been happening to the economy.

Inaccurate forecasts

In March 1990, the Treasury believed that real GDP in 1993-94 would be 8 to 9 per cent larger than now seems likely. Unless the UK enjoys a long recovery at a faster rate than the 2¾ per cent a year that the Treasury then thought to be the trend, the economy will remain almost 10 per cent smaller than was expected only 2½ years ago. Self-evidently, the UK will also be unable to afford the public spending plans of that time, let alone increases that are more than cyclical. Even the increase in unemployment does not, it should be noted, necessarily fall into the cyclical category.

The question for the government, part political and part economic, is how much of the pain to impose now and how much in future years. Higher taxes and spending cuts would seem inevitable, though now does not look like the ideal time for either. But that is not what the government is proposing. Its planning total of £244.5bn for 1993-94 represents a real increase of around 4 per cent. Provided it delivers the needed monetary loosening, that target should be met.

Yet failure to do so would not be the end of the fiscal world. An enfeebled government must be careful not to lay itself open to the accusation of starving poor widows and orphans. Maintaining existing investment projects must also be sensible. Even control over public-sector pay cannot be isolated from what is happening elsewhere in the economy.

Mr Major inherited a strong fiscal position. His challenge is to use the fiscal flexibility he has now, while putting forward a credible plan for reducing the scale of borrowing in the future.

Welcome, Mr Yeltsin

RUSSIAN President Boris Yeltsin, who arrives in London today for his first official visit, is the bulwark protecting Russia's young reformers. With his reformist government under siege from a coalition of conservatives similar to, but more intelligent than, the one that mounted last year's failed August coup, he deserves as much support as he can get from the west, and especially from the European Community, of which Britain is part.

His welcome visit should be used as an opportunity to underline that, despite domestic distractions and recessionary trends throughout Europe, Britain and the Community understand that the fate of Europe, as well as of Russia, is linked to the success of Russia's pursuance of market reforms.

The post-communist governments of central Europe have already shown that the kind of reforms attempted by the government of Mr Yegor Gaidar are able to bring tangible material and moral benefits within a reasonable period of time. Earlier this year Russia itself started to see the first signs that market reforms and a tight monetary policy could help to put goods into shops and provide the indispensable incentives for people to assume the risks of entrepreneurship.

The task facing Russia, mired in a uniquely destructive economic and political system of its own creation for over seven decades, is much greater than that confronted by central European countries. The latter's cultural roots are in western Europe and they were forced to adopt a clearly alien system for "only" four decades.

Western backing

Nevertheless, the way that central Europe is dealing with the problems of creating new market institutions, modernising the banks, privatising state assets and attracting foreign equity investment is relevant to the long-term solution of Russia's problems. What Mr Yeltsin needs is western backing to help tailor these reforms to Russian circumstances, supported by far greater western equity investment, as well as more governmental and institutional help.

Mr Yeltsin, not an economist, must be reassured that he and his government were on the right track before the military-industrial complex, the "red barons" of the collective farms and the old party-security bosses, aided and abetted by a compliant central bank, prised open monetary discipline in July. This sent a flood of inflationary credits surging through the unreconstructed military and heavy industries, followed in short order by a collapse of the rouble and approaching hyper-inflation.

Siren calls

Understandably distracted by the US elections, the debate over Maastricht, a looming EC-US trade war, and gathering recessionary clouds, the west has thus far failed to do enough to stiffen Mr Yeltsin's resolve. Mr Yeltsin needs help to stay the course and ignore the siren calls from powerful potential rivals such as Mr Arkady Volsky to prop up the old system.

There must be no illusions. Dismantling the old militarised economy to free up resources for a capitalist economy attuned to supplying the pent-up needs of the Russian people will lead to unemployment and great social strain. Most of the effort will have to be made by Russians themselves.

Yet the alternative, easy credit to prop up the old system, is already leading to hyper-inflation. Further down this ruinous path lie increasing authoritarianism, economic collapse and ultimately perhaps some form of military dictatorship or even civil war. The post-communist countries of central Europe see this appalling prospect with far greater clarity than those further away.

It is beyond the power of Britain alone to avert such a fate. But bilateral relations are better now than they have been for decades and many Russians believe that Britain retains significant influence. Mr Yeltsin also comes to London as a new administration is being formed in the US. It is time for the US, the European Community and Japan to place the future of Russia, and the other former Soviet republics, higher up their scale of priorities. London is as good a place as any to signal a new western commitment to helping Russia help itself.

National leaders need to make painful choices to rescue the cause of European unity, writes **Lionel Barber**

Bad blood in Brussels

The cause of European unity has always been a fragile enterprise. With the Gatt world trade talks in the balance, and the prospects for ratification of the Maastricht treaty cloudier than ever, the row last week over whether Mr Jacques Delors had sabotaged a US-EC agricultural deal was a damaging blow to an already bruised Community.

Mr Delors' position as president of the European Commission appears secure, as long as Mr Ray MacSharry, the EC agricultural commissioner and a lead Gatt negotiator, fails to produce unequivocal evidence to support his charges against the Frenchman. But the recrimination over Mr MacSharry's allegations will linger, fuelling the atmosphere of mutual suspicion inside the Commission and among member states, and strengthening the impression of disarray.

Faced with some of the bleakest economic prospects since 1945, Europe's politicians are increasingly held hostage by domestic political pressures, whether they be from French farmers, a handful of Tory Euro-sceptics or the need to maintain high interest rates to pay for the costs of German reunification. The question being raised in Brussels is whether EC leaders will recover their nerve in time to take the decisions necessary to end the current crisis of confidence inside the Community.

"We need convincing action on the issues at hand," said a senior EC official last Friday, warning that the future of the Maastricht treaty was at stake, "but people are going back to the bad old days when they do not expect much from the European Community."

The Gatt debacle underlined the EC's near-paralysis. The stand-off on agricultural policy between France, tacitly supported by Germany, and Brussels, in the shape of the redoubtable Mr MacSharry, has been one of the worst-kept secrets. If weekend efforts to relaunch the EC-US talks succeed, there may still be a chance of averting a transatlantic trade war which no one wants. However, the way in which member-states have meddled in the Commission's negotiating efforts has revealed institutional weaknesses in the Community.

Even if a Gatt breakthrough materialises, a host of other problems is piling up before the next EC summit in Edinburgh early next month, starting with the UK government's decision last week to delay final ratification of the Maastricht treaty until after a second Danish referendum next year.

Mr John Major's decision to delay ratification caused consternation in European capitals. Most officials believed they had a solid British commitment to press ahead with Maastricht as fast as possible, without renegotiation. Mr Major was, in fact, more circumspect, leaving open the possibility of proceeding after Christmas.

Despite his caveats, several European governments felt misled. The narrow Commons majority on Wednesday night in favour of proceeding with Maastricht was to their mind a victory for the treaty. In the event, the three-strong majority showed how close Mr Major had come to defeat.

Yet the real importance of the British delay is that it adds to the uncertainty which has been sapping the strength of the European Community for the past six months. Ever since the narrow Danish vote against Maastricht, the EC has been engaged in internal crisis management, often to the exclusion of more pressing external matters such as a Gatt agreement and civil war in the former Yugoslavia.

The Community's recent attempts at "Euro-building" have occasionally appeared to be an uneasy mix of the very important and the very unimportant. Efforts to promote "transparency" in the aftermath of the narrow Yes vote in the French referendum on Maastricht led to Mr Major's suggestion that EC leaders should devote a five-minute speech in Birmingham to their vision of Europe. This was greeted with gentle derision in Europe, but efforts to make "subsidiarity" – devolving powers to the lowest appropriate level – comprehensible to the ordinary public have been equally unsuccessful.

Meanwhile, leaders have found it easier to shuffle important business to one side. The turbulence in the European exchange rate mechanism in September, which led to the withdrawal of the Italian lira and the British pound and to the devaluation of the Spanish peseta, let loose shocks inside the European Monetary System which are still reverberating. Yet member-states have so far confined themselves to technical discussions, on the grounds that a public debate about reform of the ERM could unsettle financial markets and precipitate another currency crisis.

Similarly, there is little public debate on the acute economic problems facing Europe – the accelerating downturn which in turn is raising questions about the common drive for economic convergence and future European monetary union laid out in the Maastricht treaty.

Some preliminary work on a new growth policy is being conducted by Mr Delors and Mr Henning Christopherson, European commissioner responsible for economic policy; but even the most idealistic Europhiles in Brussels know that the burden for promoting growth lies with the member states.

A pivotal test of political will centres on member-states' approval of the so-called Delors II package. This would authorise extra funding for the poorer southern members and Ireland which Mr Delors insists must be extended if they are to have any hope of surviving the deflationary impact of the drive to monetary union.

The Commission's original proposal, based on 2.5 per cent annual growth, was to increase EC spending by about 30 per cent over five years. The idea was to lift spending from 1.2 per cent of the Community's gross domestic product to 1.37 per cent of GDP by 1997. But several countries, led by Germany and the UK, forced this proposal off the table last spring on the grounds that is was too ambitious at a time of budget-tightening.

Now the 2.5 per cent growth forecasts look unrealistic. Therefore, in his latest proposal, Mr Delors wants to revive his idea of spreading the increase in funds over seven years, with a freeze on spending at 1.2 per cent of GDP for the first two years. Close colleagues, who describe Mr Delors as "very bruised", believe that failure to agree a budget package could prompt another resignation threat, possibly even an irrevocable decision to quit.

Such a threat may work; but it is becoming increasingly clear that countries such as Germany are hesitant about paying the high economic price for political cohesion in the Community, particularly given the unexpectedly high costs of German unification. "The tensions between donors and recipients in the Community is one of the coming big themes," says a US diplomat in Brussels.

The next big political test for the EC will be how it tackles the Danish question. Already several member states, notably Spain, Germany, France and Ireland, are suggesting privately that Danish requests for "legally binding" agreements on a UK-style opt-out on a single currency and an exemption from a putative common European army will have to be watered down.

For all its seriousness, there is an Alice in Wonderland quality to the debate. Mr Uffe-Ellemann Jensen, the Danish foreign minister charged with explaining his country's position, is in reality presenting demands largely dictated to his minority government by opposition parties; he himself has little faith in those demands. At the same time, says one senior EC official, member states are kidding themselves if they believe they can significantly change the Danish demands, since they are almost certainly the necessary price for securing ratification next year.

In this official's view, there are only three options to settle the Danish question. First, a new document setting out in explicit detail the post-Maastricht rights and obligations of Denmark to the EC, and vice versa. Such special treatment would be enormously complicated and would almost certainly prove unacceptable to the member states.

The second option is the threat of divorce – an ultimatum to Copenhagen that unless it accepts a non-legally binding political declaration covering its demands, it must leave the Community.

The third option is to accept the Danish terms, recognising that a good deal of what the Danes are seeking is not explicitly required by the treaty. Thus the Community, working with the Danes, would draw up a text on the basis of which the Danish people would ratify Maastricht. And one expert view is that such document could be legally binding upon the Danes, but would not require re-ratification by other members states.

"Anything can be done from a legal point of view," says the expert. "In the end it comes down to a political decision – and the words."

One last alternative for the member states is the Micawber option – to postpone a settlement of the Danish question until after the Edinburgh summit in the hope that something turns up. This carries great risks. Along with the Delors II package, Maastricht ratification by the 12 has a direct bearing on the timetable for the next stage of European Union in 1996 – when the Maastricht treaty is scheduled to be reviewed, and when some countries may be ready to proceed to monetary union.

Approval of Maastricht and a Delors II package are also the preconditions for opening EC membership negotiations with Austria, Finland and Sweden. Until recently, it had been assumed that entry talks might proceed early next year despite the problems with ratification.

The British delay, says one EC official, offers countries such as Spain a ready-made excuse to block the negotiations. One good reason is that final passage of Maastricht in the UK House of Lords might not be complete until well into the autumn. If Austria, Finland and Sweden are forced to wait, there is a danger that ratification of their own membership treaties will be delayed until late 1994 or 1995. This could leave them in no man's land when it comes to the Maastricht review conference in 1996 when they had, in fact, hoped to be fully participating EC members.

The EC would thus risk becoming divided between members inside the Community, members with one foot outside such as Denmark and Britain, and would-be members from Scandinavia clamouring to come in. This uneasy ambiguity bears more than a passing resemblance to the unhappy and increasingly untenable position today.

Samuel Brittan

Too early for requiem

The majority of people who operate in the media have never been slow to pronounce the doom of competitive liberal capitalism. This majority includes many of those who write for financial institutions, admittedly in more guarded style, but whose views are regarded by politicians as representative of the markets. Indeed market participants themselves are often bad at making the case for what they are doing and too often give the impression of turkeys celebrating the coming of Christmas.

The combination of prolonged recession, boom and bust in financial markets, and above all Bill Clinton's victory in the US presidential election has put new heart into the anti-capitalist forces, and the sound of their celebrations will go on awhile.

Let me not begrudge people their moments of happiness. Those of us who take seriously the adjective "liberal" before capitalism will not shed any tears over the failure of Mr Bush's campaign, with its mobilisation of intolerant religious fundamentalism and its near-McCarthyite search for dirt against those who opposed the Vietnam war and who experimented with stimulants other than tobacco and alcohol.

The best antidote to anti-capitalist triumphalism, as to most fads, is a little history. The present swing of the pendulum is mild indeed compared with the permanent state of opinion up to a decade or two ago. Go into any library and pick up at random political or economic books written between the wars or in the first postwar decades. You will find in most of them the assumption that some form of collectivism – in the shape of more government intervention, ownership and control – is the wave of the future and the only argument was how quickly and by what route it would arrive.

Today the great shadow over comprehensive planning and state ownership is the ignominious collapse of the Soviet Union and its satellites. Only a fool would have expected a successful capitalism to emerge from the ashes in a couple of years. The fact that a carefully nurtured system of law, legislation, customs and habits and – of course infrastructure – is required should surprise no-one except a few equilibrium economists. There is, moreover, no beckoning "third way" between communism and capitalism. The country which most nearly offered this, Sweden, is busily dismantling many of its most interventionist institutions, reducing public

Market participants too often give the impression of turkeys celebrating the coming of Christmas

spending and tax percentages, and is suffering from the recession and unemployment usual in an attempt to squeeze inflation out of the economy.

The one large country enjoying successful growth appears to be China, which combines an emergent capitalism with a ruthless political dictatorship reminiscent of the Pinochet regime in Chile. It may appeal to those capitalists – certainly not liberal ones – who put measured economic growth above personal liberty and civil rights. Moreover China's success is so far merely relative. It is growing rapidly from a low level.

Too many capitalist supporters allow their views to be guyed by opponents. For instance, the taxation of the bulk of the population to help the least well off or the victims of change is of course part of a civilised capitalism. Ideally, redistribution should take the form of cash – which respects the choices of the recipient. But when, as in the case of medical services, cash transfers do not work well, a publicly funded system does not take us along the road to serfdom. The fatal stage is later, where in the name of preventing that most British of crimes – queue jumping – the provision of private alternatives is prevented.

When it comes to evils such as environmental pollution, remedies which use the price mechanism or redefine property rights are infinitely better than the top-down approach that have caused such havoc in eastern Europe. The US has been unable to afford a decent safety net, not because of capitalism, but because of interest group democracy that purloins an excessive share of resources for the middle-class welfare state and the military-industrial complex. If Bill Clinton can roll back these interest groups I shall be the first to go to Washington as a humble and penitent pilgrim.

The most recent war cry of those who realise that old style socialism is dead is to say that the supposedly planned Japanese and German variants of capitalism are better than the more buccaneering Anglo-American variety. (How about the Italian, which is the most buccaneering of all?) These slogan-mongers seem not to have noticed the hash which the German social partnership has made of reunification or the financial collapse in Japan.

It is no longer so fashionable to praise the French system. Yet what aspects of it are threatening the Gatt round? It is not the more competitive spirit in industry and commerce, but state support for French farmers. If there is to be a requiem it should be for knee-jerk and producer-driven interventionism.

هكذا من الأصل

Classroom reform fails the freedom test

John Patten's Education Bill promises schools more independence but it may actually reduce their power, writes Andrew Adonis

The government's Education Bill, which starts its progress through the Commons this afternoon, is designed to make state schools in England and Wales fit for the 21st century. Since, by general consent, too many of them are unfit for the late 20th, it is an ambitious but imperative goal.

Mr John Patten, the education secretary, claims that "choice and diversity" lie at the heart of his bill. His aim? To make all schools self-governing, busting the monopoly of local education authorities (LEAs), putting parents and teachers in the driving seat, and creating a market in education to increase opportunity for all.

The means? Grant-maintained (GM) status, by which head teachers and school governors are set free from their local council bureaucrats, made accountable to parents, given a block grant from the state broadly related to their numbers, then left to get on with it.

That is the rhetoric. The reality is different. As with so many of the reforms of the Thatcher decade, the Education Bill and wider government education policy reflect contradictory pressures. On the one hand they laud the market; on the other, they shackle it at every turn.

Consider the position of Mr Patten's self-governing grant-maintained schools.

Undeniably, GM schools will have greater control of their finances and internal management than under the old LEA regime. This can only be positive. Under the local management of schools policy, most schools already enjoy wide budgetary discretion. But a visit to most GM schools reveals an extra sense of pride and commitment among the staff at running their own show entirely free from local bureaucrats.

There are fears that the proposed Funding Agency for Schools, which will distribute grants to GM schools, will yield a new set of unelected officials to replace the old. On that the jury is out. Mr Patten's bill deliberately makes no provision for regional agencies, and he is adamant that the national agency will largely confine itself to sending out the cheques.

Even if that proves to be so, the powers of the state over schools remains vast – and under the current bill, they will be *increased* in crucial respects.

Some of the new powers relate to regulation, notably the provision for regular inspections under the aegis of the new Office for Standards in Education (Ofsted). For all the controversy over "private" inspectors – Ofsted's licensing procedure will make them public in all but name – this aspect enjoys wide support. So does the plan for "education associations" – task forces – to take control of schools certified by Ofsted that fail to provide an acceptable standard of education. The associations could hardly do other than improve such schools, provided high-calibre staff can be recruited.

Trevor Humphries

Mr John Patten: plans to exercise far-reaching powers

However, the government has taken, or plans to take in the current bill, a whole panoply of powers which run contrary to the self-governing notion, even admitting the need for strong regulation.

First, Mr Patten intends to exercise far-reaching powers to reorganise schools. He argues that the expense of 1.5m surplus places in schools nationwide obliges him to do so. Under the bill, he will have the right to by-pass LEAs and GM schools and draw up his own reorganisation proposals for any locality. Where the locals object, a public inquiry will be held. But whatever its findings, Mr Patten is allowed to do what he likes apparently without having to give reasons for any decision to over-ride opposition.

Mr Patten is allowed to do what he likes, apparently without having to give reasons for a decision

This approach offends even the haziest notions of the market and local accountability. As one prominent Tory educationalist put it, if Mr Patten really had faith in a numbers-related funding formula plus the work of Ofsted, surplus places should take care of themselves without leading to unacceptably low standards in those small schools which survived. Mr Kenneth Clarke, Mr Patten's predecessor, was attracted to the idea, and proposed to earmark funds for successful schools wanting to expand – the reverse side of the coin. One of Mr Patten's first acts on taking office was to cancel that proposal.

As to accountability, parents and schools – GM or not – will have no redress against an education secretary determined to reshape their education system. At present, they can lobby their LEA and vote it out of office if they want. They can also appeal to the education secretary as a last check against their LEAs. Such is the government's distrust of local councils that Mr Patten is not prepared to give LEAs any role in checking *his* discretion. Nor is he prepared to consider other democratic devices. Local referendums have a long tradition in British local government; the argument for them in the case of a wholesale school reorganisation is potent – it is the kind of issue which dominates the consciousness of a locality.

The second area of unrestrained government authority relates to the curriculum and examinations. In the 1980s, almost everyone agreed that a national curriculum of some sort was necessary, and its inclusion in Mr Kenneth Baker's 1988 Education Reform Act caused little controversy.

It was generally assumed then, however, that the government would introduce a loose framework curriculum and leave schools a large measure of freedom. Not so. With every year, state interference has increased. Last year, Mr Clarke appointed Lord Griffiths, former head of Lady Thatcher's policy unit, as head of the quango responsible for school assessment. He proceeded to reshape large parts of the post-1988 system. Mr Patten has gone further still. This summer he even decreed that all 14-year-olds would be forced to study one of three Shakespeare plays – including Julius Caesar – for their national English tests.

It is the same tale with exams. Last year Mr Clarke, after no consultation and to the consternation of most teachers, announced that the course work component of the GCSE, the exam taken by all 16-year-olds, was to be slashed. Schools had to change courses at short notice. Yet both he and Mr Patten to date have ruled out of court any reform of A-levels, despite the overwhelming consensus for change among teachers, educationalists and businessmen, who are concerned that a fifth of all candidates are left with little to show for their work, with even the successful obliged to specialise far earlier and more narrowly than their Continental counterparts.

So "choice and diversity" operate within narrow confines. Local bureaucrats and the education establishment are being shown the door. But education is evidently too important to be left to parents and teachers. It is no surprise that Mr Patten has taken to dubbing himself "the nation's headmaster".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Treasury not to be totally excluded

From Mr Alan Budd.

Sir, In his article "Not accountable yet" (November 2), Samuel Brittan says that in my article "Disarming the Treasury" I proposed that the Treasury should cease to be a forecasting organisation.

In that article (which I wrote while I was at the London Business School), I said that there should be a considerable widening of the sources of advice for the chancellor and a reduction in the weight placed on the Treasury's internally generated views. But I added: "This would not exclude the Treasury from offering independent advice, based on its own analysis and forecasts."

Alan Budd,
30 Laurier Road,
London NW5 1SG

UK would be biggest victim in trade war

From Sir Anthony Meyer.

Sir, Far more worrying than the slippage of the timetable for the ratification of the Maastricht treaty is the threatened outbreak of protectionism unless progress in the General Agreement on Tariffs and Trade talks can be swiftly resumed.

The consequences of a trade war would be disproportionately serious for Britain, which is more dependent on trade than almost any other industrialised nation.

Surely even the most dogged Euro-sceptic can now understand that, if we remain on the fringes of the European Community, or even if we pull right out of it, we shall be worse hit than any by a world trade war; that it is therefore more than ever vital for us to be at the heart of the European Community trying to influence it towards compromise in Gatt and to open trading policies.

Anthony Meyer,
policy director,
European Movement - UK,
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Global security now inseparable from economic issues

From Mr Richard Kozul-Wright.

Sir, Edward Mortimer's open letter to the president-elect of the US ("Dear Mr President", November 4) well describes some familiar and not so familiar challenges which will be faced by a new administration in Washington.

Of particular interest, given the lack of any detailed discussion of foreign policy issues during the election campaign, are his recommendations to bolster the role of multilateral institutions and particularly the United Nations. However, Mr Mortimer's emphasis on multilateral policing operations is unduly one-sided.

In this respect, Governor Clinton's stated recognition that, in an increasingly interdependent world, foreign policy concerns and domestic economic strength are inseparable, offers a far more hopeful message than Mr Mortimer's exclusive concern simply to double the number of bobbies on the (global) beat by enhancing the UN's military role. Indeed, Governor Clinton's message echoes a long-standing recognition in large parts of the international community, including agencies, that global security is inseparable from economic and social development.

The urgency of forging an international economic perspective to match that likely to emerge from Washington in the coming months cannot be understated at a time of continued economic uncertainty in the world economy. What better way of matching the renewed activism in Washington than enhancing the multilateral economic structures already in place with a long-standing commitment to international co-operation, political pluralism and global economic development. Moreover, it is precisely through support to such institutions that Mr Mortimer's laudable ideal of a world citizen is most likely to be achieved.

Richard Kozul-Wright,
Department of Economic and Social Development,
United Nations,
New York

Federalism designed to confuse

From Mr Gordon Paul Hediger.

Sir, There are two forms of federation principle which can be applied:

1) All powers, which have not been specifically retained by individual states, automatically are transferred to the central federal organisation.

2) All powers, which have not been specifically granted to the central federal organisation, remain with the individual states.

Which principle does Europe want to apply?

In the interests of clarity, many years ago, the Americans opted for the former. Switzerland for the latter.

From the declarations of Mr. Martin Bangermann, vice-president of the European Commission, contradicting Mr Major, it would appear that Europe has opted for neither solution, which would seem to be a solid base for current and future confusion.

Gordon Paul Hediger,
managing director,
Custom Management,
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Middlesex HA7 4QH

Simple answers to restraining wage growth

From Mr David Layton.

Sir, I refer to Professors Layard and Bean's personal views ("Shut the stable door", November 4). I do not feel competent to argue about the macro-economics of wage push inflation and stop-go history, and do not propose to do so. If, however, one is looking for a simple policy to restrain pay growth, then I suggest that it is easier to get general agreement and effective action about the timing of increases rather than about their size.

Why not have a generally agreed recommendation, or guideline, to postpone all increases whenever they come up by three months without any backdating.

In a situation of low inflation this delaying would not cause hardship and need not call for any complicated policing, but would have an important effect. In a year, one could, perhaps, look afresh at the situation created and possible improvements to the simple process of modifying the intervals between settlements.

David Layton,
Incomes Data Services,
193 St John Street,
London EC1V 4LS

From Mr John Woodthorpe.

Sir, Two cheers for Professors Layard and Bean for correctly identifying, first, inflationary wage awards as the basic problem of the British economy and, second, employers as the guilty party. However, their solution is neither far-reaching nor effective enough.

Quite apart from the public sector, the services sector – now the dominant sector in the economy – is notorious for no productivity improvement. In industry, cutting out profligate excess manning hardly justifies pay increases for the remainder. Nowhere in the economy does labour have much, if any, impact on productivity. Instead, R&D, good design and new investment make the difference.

So, nipping wage inflation in the bud is critical. A way would be for the chancellor to announce that tax rates will be indexed to wage inflation, per cent for per cent, above achieved national productivity improvement.

A crude penalty, perhaps, for that small minority who achieve above-average productivity, but then drastic action is needed if I am not to see the pound worth a dollar or a D-mark in my lifetime.

John Woodthorpe,
54 Eaton Place,
London SW1

OBSERVER

Forecasting the forecast

■ Deciding what numbers to extract from a forecast is, for the UK Treasury, as much a function of psychology as it is of correctly interpreting economic reality.

For this reason, just about everyone should be able to enjoy Observer's latest competition. This is to anticipate the Treasury's forecast which will be contained in Thursday's Autumn Statement.

In the past two years, official forecasters have sounded foolishly bullish in their predictions of growth and demand – not that they have been short of the company of City economists in their erroneous predictions.

However, those infamous green shoots still stay stubbornly underground, and the need to calm the country ahead of an imminent general election has, for the moment, passed. How gloomy can the boffins afford to be?

Equipped with the latest City projections, and a mild bent for amateur psychology, readers are invited to fax, to 071-873-3926, their best attempts to get inside the Treasury mind.

Forecasts of the forecast should encompass the following economic indicators during 1993: growth in gross domestic product, in fixed investment, in consumer spending and in manufacturing output; the size of the current account deficit; and the year-on-year change in the retail prices index as measured in the fourth quarter.

Entries should arrive by noon on Thursday and a bottle of malt whisky awaits the set of numbers that most accurately reflects the official version of the near-term fate of the UK economy.

To encourage the new spirit of glasnost inside the department, Observer extends a special invitation to the denizens of Great George Street to enter the contest themselves. It is, after all, possible that the numbers will be altered at the 11th hour.

Up the poll

■ A small problem of 200 per cent inflation faces members of Ireland's outgoing parliament who wish to stand for re-election. The deposit for candidates, which has stood at I£100 since the 1920s, is going up to more than I£300.

Still, it might have been worse. Environment minister Michael Smith had wanted to up the ante to I£500 until he bowed to opposition protests.

EC come, EC go

■ What is the Yorkshire Post doing for Europe? Furnishing the community with straight-talking PR men from the ranks of its past employees, it would seem.

Following indications that former Downing Street press spokesman and strident Euro-sceptic Sir Bernard Ingham may be off to the European Commission to help improve its image, fellow Yorkshireman John Wright, head of press relations at the Central Statistical Office, reveals that he has decided to jump on to the Euro-bandwagon.

Wright, 49, is off to Luxembourg to take charge of press contacts at Eurostat, which co-ordinates statistics for all EC member states. Like Ingham, Wright worked on the Yorkshire Post, and, while his private views on the grand European endeavour are not known, he does share something of his more famous former colleague's well-known irascibility.

"If they won't buy our wine, we won't buy their Stetsons"

While Sir Bernard gained notoriety through acting as Lady Thatcher's mouthpiece, Wright too has had to work in recent months for a sometimes unpredictable boss in the shape of Australian Bill McLennan, who took over as head of the CSO in March.

McLennan, CSO officials say, actively encouraged Wright to seek glory on a broader plane. What does that mean?

In camera

■ In what could lead to the greatest turn-off of all time, the European Community is considering televising its ministerial meetings on such topics as the maximum net speed, torque and power permissible for two or three-wheeled vehicles.

The proposal, intended to show that the EC is not a secretive power-hungry bureaucracy, is to be discussed by member countries' foreign ministers today – behind closed doors, of course.

Progress is likely to be delayed, however, not only by ministerial disagreements about how far to open up community business to the public, but also because Brussels' diplomats are unenthusiastic.

"If you open it all, you run the risk that people will simply play to the crowd all the time," said one of them. "Anything really important will be settled by telephone, in the corridors or, God help us, in the toilets."

Universal type

■ To anyone working outside the financial sector, job-titles in the City of London can often be not only bemusing but awesome. Where else, for instance, could people be arrogant enough to style themselves "heads of global custody"?

So it's comforting to learn from Day Associates' latest pay-survey of London banks that the Square Mile still harbours one type of employee who can be found existing, as distinct from working, in organisations of all sorts throughout the world – the "position-keeper".

To the City's credit, such people seem unusually rare there. Only 25 of the 111 banks surveyed employed them. Moreover, with an average salary of £13,468, they look to be less well paid just for being there than are their counterparts in other fields of work.

Lateral

■ Interviewing patients at a psychiatric nursing home, a researcher asked the first what was 3 times 3. "Friday," came the reply. Sighing, the interviewer called the next one and inquired what was 5 times 5. This time the answer was "133". When the third one responded to 4 times 4 with "16", the researcher brightened up. "How did you work it out?" he asked. "Easy" said the patient. "I just took Friday away from 133."

FINANCIAL TIMES
Monday November 9 1992

Bitter debate on the borderline

Germany is reluctant to act over immigration, **writes Judy Dempsey**

GERMANY today commemorates *Kristallnacht*, when synagogues and Jewish businesses were ransacked by the Nazis in 1938. It also celebrates the collapse of the Berlin Wall in 1989.

However, any sober reflection of these two events has been smothered in an emotional and bitter dispute between the main political parties about how to deal with the rapid influx of refugees seeking asylum.

The debate is partly in response to the growing number of assaults by rightwing extremists on foreigners, as well as increased vandalism of Holocaust memorials. But it is primarily about the effect unification of the two Germanys has had on the country's asylum policies.

"We now have an open border to the east," said an official at the Interior Ministry. "We have a border which stretches nearly 1,300km. It is impossible to guard this border. Those who cross, mostly from Romania, Bulgaria, and the former Soviet Union, are claiming political asylum. That is their right. We cannot turn them back. But many are coming here for economic reasons."

The number of people seeking asylum in Germany has swollen over the past three years, rising from 193,063 in 1990 and 256,112 in 1991, to 319,674 for the first nine months of this year.

The opposition Social Democratic Party reckons that if those such as refugees fleeing from what was Yugoslavia, ethnic Germans from eastern Europe and illegal immigrants are taken into account, nearly 1m people will have arrived in Germany by the end of the year.

The strain on the economy is growing, with the Interior Ministry estimating that shelter for each refugee costs DM15,000 (more than £6,000) a year.

Anyone can claim the right to asylum which is enshrined in article 16 of the Basic Law, or Constitution. Only about 5 per cent of applicants are successful, but it can take three or four years for cases to be dealt with.

About 30 per cent of those rejected under article 16 eventually claim asylum under the more liberal terms of the 1951 Geneva Convention.

Chancellor Helmut Kohl's Christian Democratic Union party, and the opposition SPD, are close to agreeing to amending article 16 in a way which would qualify the basis for refugee status. However, at last weekend's annual congress of the Bavarian-based conservative Christian Social Union, a junior partner in the coalition, it voted to restrict the right of asylum and of appeal, echoing similar views held by the Republican party.

Whatever amendments are adopted, however, many believe it amounts to a temporary measure because the government – and the opposition – remain reluctant to address the fundamental issue: the absence of any immigration legislation.

Government officials, so far, have ruled out any such law. "If we had a quota system, we would no longer be an open country. Our 1949 constitution would be undermined. Quotas, or any form of selecting immigrants would recall the Nazi period," a ministry official said. Nor does Germany want to be seen as a country for would-be immigrants.

Instead, the government may fudge the issue by amending the constitution and relying on Brussels to restrict the European-wide flow of refugees.

Tory party rebellion over treaty resurfaces

By Ralph Atkins

FRESH Conservative party skirmishing over Europe broke out yesterday, testing the authority of UK prime minister John Major amid continuing confusion over when Britain will complete ratification of the Maastricht treaty.

As the prime minister faced calls from the Tory right-wing for a Cabinet reshuffle, Mr Malcolm Rifkind, defence secretary, appeared to retreat on a concession offered last week to Eurosceptic MPs.

He suggested on BBC Radio that the Commons' consideration of the Maastricht bill and the Danish referendum were "not interdependent".

However, Downing Street again said it regarded May as the most likely time for the Danish poll and that would coincide with the Commons third reading of the ratification legislation.

The Maastricht bill would then go to the House of Lords in time to complete all parliamentary stages by next October or November. Underlining the conflicting pressures on Mr Major, the apparent delay – even if watered down – has angered the pro-European wing of the party and dismayed Foreign Office ministers.

Mr Ray Whitney, Tory MP for Wycombe and prominent Europe enthusiast, said: "We are all less happy than we would have been and we do have a problem."

Mr Peter Temple-Morris, Tory MP for Leominster, said the delay would make the Danes "feel stronger than they actually are".

However, an equally ferocious warning not to be cowered by pro-Europeans will come on Thursday when Mr Major addresses the 60-strong Thatcherite "92 group" of Tory MPs.

Senior 92 members are calling for the promotion of right-wing ministers such as Mr John Redwood, local government minister, to replace the more pro-European Mr William Waldegrave, public services minister, Mr Tony Newton, leader of the Commons, and Mr John Gummer, agriculture secretary. They are also calling for Mr Kenneth Clarke, the home secretary, to be "reigned in".

One 92 member who spoke publicly yesterday, Mr John Carlisle, Tory MP for Luton North, said: "We have a centre-left Cabinet and a centre-right parliamentary party. . . The prime minister should have an early opportunity to redress that balance and have a Cabinet more representative of popular and party opinion."

Some right-wingers regard concessions by Mr Major as a quid pro quo for their helping him avoid defeat after last Wednesday's Maastricht debate. But these are likely to inflame the Tory party's internal rows. One loyalist MP said "this is crazy, we must not allow this to go on".

Mr George Robertson, a Labour party foreign affairs spokesman, said the prime minister was "impotent", with his "twisting and turning complicating and worsening all the stresses and tensions which threaten Europe's ability to solve its deep troubles."

Taking aim: Bill Clinton relaxes on the golf course before getting to work on an economic crisis plan

Clinton summons business leaders

Continued from Page 1

for the incoming administration. However, Mr Mitchell said he would oppose Mr Clinton's request for a line item veto to reduce the budget deficit, enabling Mr Clinton to delete specific programmes without being forced to reject the entire budget package.

Senator Robert Dole, the Senate minority leader, has promised to "chaperon" the administration's expected honeymoon with Congress. But he said he would support the line item veto, which had been demanded by Mr Bush, and health care reform.

● Mr Timothy Ryan, who has overseen the clean-up of the US savings and loan industry for more than two years, will officially announce his resignation as director of the Office of Thrift Supervision today, Reuters reports from Washington. His departure gives Mr Clinton a clean sweep of top financial regulatory slots in Washington.

Norway's ruling party backs EC membership application

By Karen Fossli in Oslo

NORWAY'S ruling Labour party voted yesterday to apply to join the European Community, although the electorate remains firmly opposed to membership.

The party's conference in Oslo voted 133 to 106 in favour, a smaller majority than expected. Opposition came mainly from northern delegates, who said their primary source of income, fishing and farming, would be threatened by closer ties to Brussels.

Mrs Gro Harlem Brundtland, the prime minister, plans to deliver a fresh application for membership this month. This would enable Norway to negotiate membership alongside Sweden and Finland, which Mrs Brundtland argues is crucial to get the best deal possible from Brussels.

Norway has applied three times for EC membership. It was blocked by France in 1960 and 1962; its third application was accepted, but the electorate rejected membership in 1972 in a bitterly divisive referendum dominated by opposition from the fishing and farming communities.

The electorate would vote even more heavily against membership if a referendum took place today, according to a poll published yesterday in Dagbladet newspaper. The poll put opposition at a record 55 per cent, compared with 53 per cent in October and 53.5 per cent in 1972. Only 35 per cent were in favour of joining. A new referendum is likely in 1995.

Yesterday's resolution was nearly overshadowed by the decision on Friday night of Mrs Brundtland to resign as Labour's leader after almost 12 years for family reasons although she remains prime minister. The timing of the decision shocked the party's 300 conference delegates into putting aside internal tensions over Europe.

The party voted unanimously to appoint Mr Thorbjoern Jagland, a pro-European, to succeed Mrs Brundtland. To help win support from the north, Mrs Hill-Marta Solberg, a mayor from north Norway, was elected joint deputy leader alongside Mr Jens Stoltenberg, leader of the Oslo Labour party contingent and son of foreign minister Thorvald Stoltenberg.

The party's endorsement of EC membership has swung the parliamentary balance in favour of joining. At least 100 out of 165 MPs are expected soon to vote in support of the new membership application.

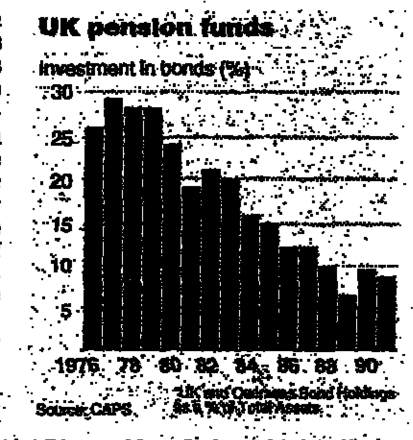
THE LEX COLUMN

Dividend deficit

If the actuaries are right, UK pension funds' heavy exposure to equities is starting to look excessive. Dividends are not growing fast enough to keep pace with liabilities. At best, contribution holidays will end sooner than anticipated. If the worst comes to the worst – which may be only a couple of years of low dividend growth away – some companies will have to make up pension fund deficiencies out of profits. Little wonder that the great and the good of the profession are sounding warnings.

Most immediately at risk are companies with "mature" pension schemes – paying more to pensioners than is covered by contributions from employees. The engineering and metals industries are the obvious sectors here. Redundancies and early retirements in the service sector, though, will spread the problem. Simple arithmetic dictates that making up pension fund deficits will take a big slice out of some companies' profits. And the practice of valuing pension schemes every three years points to some nasty surprises to come.

One answer may be for mature pension funds to switch some cash from equities into bonds, which are a better match for their liabilities. Yet fund managers will be wary of an investment strategy which leaves them exposed to surprise bouts of inflation. Index-linked gilts may be a more palatable solution since they provide guaranteed cash flow and protection against inflation. Little surprise, then, that the government has found ready buyers for index-linked since Black Wednesday. The risk for the stock market is that pension fund managers might all jump at once. Since pension funds own about £200bn of UK equities, even a 10 per cent shift into bonds would act as a serious drag on prices.



Mobile phones

American Telephone and Telegraph's purchase of a stake in the US group McCaw Cellular has excited interest in the prospects for the mobile phone business in Britain. AT&T wants to be in cellular telephony around the world, and technological development offers a way into the UK market. New digital personal communication networks will begin to be established in the next year or so which will allow much larger numbers of callers to use the networks.

At present PCN licences have been granted to Mercury and Microtel; AT&T could apply for a third or throw in its lot with either of the existing licensees. PCN is expensive to establish, but offers high capacity immediately, so these networks will be driven to offer low prices to attract high volumes, undermining the existing networks' margins. If AT&T were prepared to take a long view, it might favour this approach.

Of course, another way into the UK market for AT&T would be to buy Vodafone. Indeed, the price it was prepared to pay for control of McCaw makes Vodafone look cheap: hence the latter's price rise last week. However, AT&T would have to pay well over £4bn for Vodafone, while a PCN network might cost only £1bn to build. The marketing budget needed to establish PCN is unlikely to cost anything like the difference. Vodafone is currently trying to broaden its base in the UK while retaining its profitable customers. It may also be interested in expanding into Europe, but is equally likely to run into AT&T there. In the long run, Vodafone's exceptional returns will fall victim to the tide.

German banks

German banks are gaining ground in their battle with the authorities over new capital requirements due to come into force from January 1. Untill recently, the federal supervisors have been pressing for a minimum tier 1 capital ratio of 5 per cent for banks which wanted to count revaluation reserves on their securities holdings towards tier 2 capital. Last week, they appear to have quietly shifted to a 4 per cent minimum while still allowing banks to count revaluation reserves for up to a quarter of the tier 2 requirement.

Provided the authorities stick to this line, German requirements will not exceed the standards applying under international and European Community rules. The resulting level playing field matters more to most institutions than the actual level of the tier 1 requirement in the short run. Most could meet a 5 per cent requirement with the possible exception of Commerzbank with its exposure to Russia, Olympia & York and Hafnia.

Admittedly Deutsche and BHF Bank would probably be the only large banks comfortable with a 5 per cent ratio. Others such as Dresdner and the Bavarian banks would not have much room for balance sheet growth. By insisting on 5 per cent, the authorities risked compounding the German slowdown by constraining banks' capacity to lend. But it is not as if a 4 per cent requirement would do much to stem the regular flow of bank share issues. A low return on equity and high pay-out ratios have long stymied German banks' ability to build capital through retained profit.

Amstrad

Mr Alan Sugar's £113m bid for the 65 per cent of Amstrad he does not already own equates almost exactly to the cash in the company's last balance sheet. Since much of the cash for the offer is being lent or guaranteed by the company, shareholders have every right to feel short-changed. In other circumstances it would certainly be worth pressing for a better price. Yet Mr. Sugar maintains there is nothing more available – presumably because Amstrad cannot afford to lend him more. His scheme is perfectly legal, but it is more than disquieting to see the company lending the chief executive cash to buy its shares.

The offer also raises old worries about the ethics of management buy-outs. The terms certainly look generous compared to the 19p share price before the intention to take the company private was announced. But then Mr Sugar was in the privileged position of knowing whether that price fairly valued the company. Amstrad will not pay a dividend for the foreseeable future if it remains a public company, but Mr Sugar will repay the bank out of dividends if the deal goes through. With no prospect of an outside bid, and the unpalatable alternative being to live with a disgruntled Mr Sugar, investors may just be glad to see the back of Amstrad. Mr Sugar's legendary antipathy towards the City must by now be fully reciprocated.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	12	54	Frankfurt	Dr	9	48	Majorca	S	20	68	Oporto	Fg	12	54	Tenerife	C	22	72
				Brussels	F	12	54	Geneva	Fg	7	45	Malaga	C	19	66	Oslo	S	3	37	Tokyo	C	14	57
				Budapest	F	11	52	Gibraltar	S	18	64	Malta	S	22	72	Paris	C	10	50	Toronto †	Sn	-3	27
Ajaccio	S	19	66	Buenos Aires	F	24	75	Glasgow	Dr	5	41	Manila	C	31	88	Prague	C	7	45	Tunis	F	22	72
Algiers	F	21	70	Cairo	F	24	75	Helsinki	S	-3	27	Melbourne	F	20	68	Reykjavik	C	6	43	Valencia	S	19	66
Amsterdam	S	12	54	Cape Town	F	23	73	Hong Kong	R	23	73	Mexico City	Sn	14	57	Rhodes	S	20	68	Venice	C	11	52
Athens	S	21	70	Caracas	C	28	82	Innsbruck	F	6	43	Miami †	C	22	72	Rio d'Janeiro	C	28	82	Vienna	R	9	48
Bahrain	S	30	86	Casablanca †	S	19	66	Inverness	S	9	48	Milan	C	11	52	Rome	F	17	63	Warsaw	F	3	37
Bangkok	F	33	91	Chicago †	C	1	34	Islamabad	F	25	77	Montreal †	C	-2	28	Salzburg	R	6	43	Washington †	S	3	37
Barcelona	S	20	68	Cologne	S	11	52	Istanbul	S	18	64	Moscow	C	1	34	S'Francisco †	S	12	54	Zurich	C	8	46
Beijing	S	3	37	Copenhagen	S	5	41	Jakarta	R	32	90	Munich	R	7	45	Seoul	R	10	50				
Beirut	S	21	70	Corfu	S	20	68	Johannesburg	F	23	73	Nairobi		–	–	Singapore	R	29	84				
Belfast	C	11	52	Dallas †	C	12	54	Lisbon	S	17	63	Naples	F	21	70	Stockholm	S	1	34				
Belgrade	S	16	61	Dublin	C	13	55	London	C	11	52	Nassau	C	29	84	Strasbourg	C	9	48				
Berlin	S	8	46	Dubrovnik		–	–	Los Angeles †	C	16	61	New Delhi	S	26	79	Sydney	S	22	72				
Biarritz	F	15	59	Edinburgh	C	8	46	Luxembourg	C	8	46	New York †	S	1	34	Taipei	F	26	79				
Bombay	S	32	90	Faro	S	20	68	Madeira	F	20	68	Nice	C	17	63	Tangier	F	20	68				
Bordeaux	C	15	59	Florence	C	14	57	Madrid	S	17	63	Nicosia	S	21	70	Tel Aviv	S	23	73				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS

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Monday November 9 1992

INSIDE

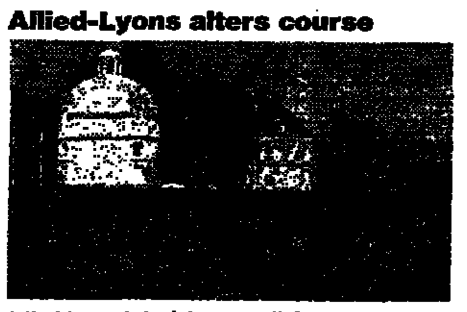
Munich Re trims reinsurance losses

Losses in mainstream reinsurance business were reduced only slightly from the high levels of last year, Munich Re reported, although income from capital investments enabled the group to improve overall profits substantially in the year ended June, 1992. Page 15

Conthe's debt challenge

Mr Manuel Conthe, director-general of the Spanish Treasury, sees reopening of the primary market for medium and long-term debt as an important challenge. Spain suffered from currency speculation which hit Europe's weaker members in September, but Mr Conthe believes stability has returned. Faced with a growing deficit and a tough repayment schedule, he wants to start issuing three, five and 10-year bonds again. Page 16

Allied-Lyons alters course



Allied-Lyons' decision to sell Chateau Latour (above), one of the four leading Bordeaux vineyards, reflects the new hard-headed management strategy designed to restore City of London confidence in the drinks, food, and retailing group, after the £147m ($227.8m) currency trading debacle early last year. Page 14

No surprises for US bonds

News of Governor Clinton's impending presidency had a muted effect on US bond markets last week. In fact, it seemed more likely that the regular monthly employment figures had more impact overall. But in large part, the lack of reaction on Wednesday simply reflected lack of surprise. Page 17

Refinancing a binge

Refinancing the Japanese equity warrant binge of the late 1980s may cause less of a log-jam in the public capital markets than expected, if experience so far is any guide. The crunch year, though, will be 1993 when about $75bn of such issues mature. Page 17

Searching for the right recipe

Guy de Jonquières and Richard Gourlay on Tomkins' options for reviving RHM

By refusing last week to raise its offer for RHM, the UK baking and grocery group, Hanson has left Tomkins, its smaller rival bidder, free to show whether the formula it has applied to businesses such as bicycles, handguns and valves can also work in food.

But in bidding £935m ($1.5bn) for RHM, is Tomkins biting off more than it can chew? Though the conglomerate has lined up the financing it needs, its reputation will ride on whether it can quickly extract from the deal the superior returns expected by its own shareholders.

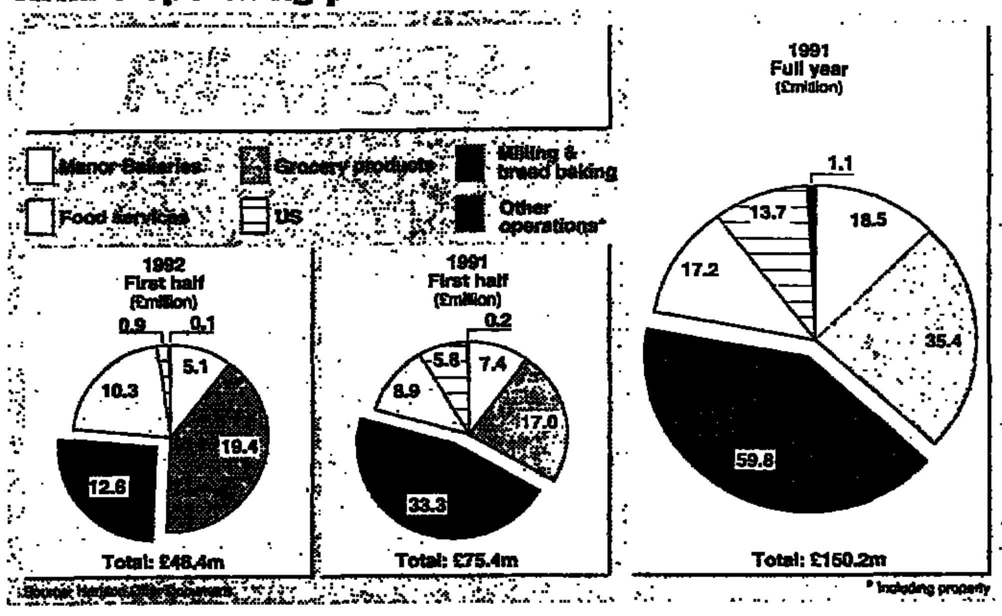
Mr Greg Hutchings, Tomkins' chairman, has ruled out selling RHM's businesses piecemeal. Everything will depend on finding ways to cut costs and build profitable business which have eluded RHM's own management.

Critics argue that RHM's management has failed to exploit opportunities. The question is whether Tomkins, with no previous experience in the food industry, is better placed to do so.

It could undoubtedly cut costs by closing RHM's head offices in Windsor and by rationalising production further. However, savings are likely to be small relative to Tomkins' planned investment. The labour content of RHM's manufacturing is already low and at least half its costs are in materials and packaging, which are not easily controllable.

Hence, Tomkins' hopes for improving RHM's performance seem likely to depend heavily on enhancing the performance of its branded groceries, cakes and food services divisions and – above all – on stemming the steep profits decline in its flour-milling and bread-baking businesses.

RHM is widely thought to have imposed unduly tight head office controls on the managers of its main divisions, none of whom sits on its main board. By introducing a more devolved management structure, Tomkins might perhaps unleash hitherto suppressed initiative.



However, it will be difficult quickly to wring higher returns from its mixed bag of branded businesses. Of these, probably only the Sharwood's chutney and condiments range enjoys a really strong position in a fast-growing sector. But although highly profitable, Sharwood's had sales of only £32m last year.

Others, such as Saxa salt, Atora suet, Paxo stuffing and McDougalls flour, are brand leaders, but in mature or declining sectors, while Bisto gravy and Mr Kipling cakes and pastries face increasingly powerful competition, both from branded manufacturers and supermarkets' own-label products.

One dilemma about owning such a diverse stable of small niche brands is the wide spread of advertising and marketing support. Many other food manufacturers have found it more profitable to concentrate on selected areas of strength.

Tomkins may decide to rationalise RHM's portfolio, possibly by trading some brands for those of other manufacturers. But it will need to maintain – if not increase – marketing expenditure if it is to hold its own.

Most industry analysts think the chances of sharply increasing returns from these businesses are relatively modest. "If Tomkins continue to develop the brands, they can expect growth – but it will not be dramatic," says Mr David Lang of stockbrokers Henderson Crosthwaite.

Nor does RHM's own-label production offer much prospect of increased rewards: supermarkets are careful to ensure operating margins on this business do not go much above 7 per cent.

The key to RHM's fortunes may lie in the milling and baking side. As the greatest source of problems, these hold out the promise of greatest reward. But the problems run deep.

As the chart shows, operating profits in the division have slumped. Analysts believe the year to Aug 1992 will show a fall to £19.4m and many think the division next year could show no operating profit.

The industry believes there is between 10 per cent and 15 per cent too much baking capacity in the UK. Tomkins has hinted that taking capacity out may form part of the plan; business development director, Mr Geoffrey Eaton, said last week that Tomkins was driven by profits, not market share.

Since the beginning of the 1980s, RHM has reduced its bakeries from about 60 to 18 – or 21 after the recent purchase of three from Dalgety. It has also spent £115m to increase efficiency in the past three years.

With drastic further rationalisation it might be possible to service most of the market without losing too much revenue base. But that would require heavy capital expenditure on new plant.

It is also uncertain whether the approach would work, given the special characteristics of the bread market. Associated British Foods, RHM's biggest competitor, is insulated by large family shareholdings from short-term market pressures.

Tomkins insists the planned acquisition will not dilute its earnings – apparently on the assumption that milling and baking profits do not go into free fall. But there is a danger Tomkins will be saddled with a large slice of business that performs sluggishly for some time, even if it eventually turns round.

If this were the case, the first casualty would be Tomkins' rating, which was a heady 17 times prospective earnings before the bid. As a company which depends heavily on bold acquisitions to sustain its growth, the capacity to raise large amounts of capital quickly is essential.

To risk this carefully nurtured rating, Mr Hutchings must believe he has a rabbit to pull from his hat. The problem is that many City of London observers of the food sector cannot guess what sort of rabbit. What they all recognise, however, is that both Lord Hanson and Tomkins dreamed up the same idea at about the same time and had in mind a similar price. Someone has to have got it wrong.

GPA may show debt plan to banks soon

By Paul Taylor and Richard Waters in London

GPA GROUP, the Irish aircraft leasing group which aborted its international public flotation in June, will be approaching its banks "relatively shortly" with proposals to reschedule its debts, said a director yesterday.

GPA, which ranks as the world's largest aircraft lessor, said yesterday negotiations with its banks would continue this week, but denied there had been any "crisis talks" over the weekend. One of the group's biggest bank creditors said: "We are not involved in any formal crisis talks."

Mr James King, a GPA executive director, said there had been no emergency discussions with the group's bankers. "It's all poppycock. I've spent the weekend shooting and gardening."

He added that the group had made two informal presentations to its more than 100 bankers and hoped to put formal proposals shortly, although it was unlikely rescheduling could be completed before Christmas.

The group acknowledged last month it had to begin negotiations with banks on its borrowing arrangements after failing to raise new funds from the sale of 18 aircraft leases.

Mr Tony Ryan, GPA's chairman and founder, said more than a week ago: "We are conducting a matrix of wide-ranging negotiations with a significant level of interdependence and this will take time to complete."

GPA is reviewing its financial position and the company and others close to the negotiations reiterated yesterday that any new proposals put to the banks were not expected to be implemented until at least the first quarter of 1993. "Whatever discussions there are with banks will last well into next year," the adviser said.

GPA's debt is thought to have risen significantly since June when the prospectus for its failed flotation listed borrowings of $2.7bn against shareholders' funds of $1.2bn. As a result its fund-raising efforts have been hit by investor fears that it might breach its banking covenants.

Its financial strategy, put together with shareholders, lenders and aircraft suppliers after its shelved $800m flotation, has been complicated by its failure to sell the aircraft leases, and subsequent postponement of plans to raise $752m from its second issue of securitised aircraft leases.

Bronfmans battle to restore market confidence

By Bernard Simon in Toronto

THE industrial, property and financial services empire controlled by Toronto's Bronfman family is battling to shore up investor confidence following a sharp decline in share prices of companies within the group.

Several Bronfman companies as well as their main banker issued a barrage of denials on Friday to counter rumours that they are in severe financial difficulty.

The slump in the share prices complicates efforts by at least one Bronfman company, the financial services group Royal Trust, to raise new equity. Royal Trust's share price tumbled more than a third on the Toronto stock exchange last week after the company announced a large third-quarter writedown. Royal Trust also said its board had approved a C$200m ($161.2m) equity issue.

Royal Trust shares closed at C$2.87 on Friday, down from more than C$9 last January. Among the Bronfmans' holding companies, the share price of Brascan fell C$1.38 on Friday to C$16.25. Edper Enterprises lost 35 cents to C$4.50.

The latest nervousness stems partly from difficulties at Royal Trust and Bramalea, a property developer. Bramalea, whose share price has sunk this year from more than C$5 to 41 cents, has warned it might file for bankruptcy protection if creditors fail to approve debt-restructuring proposals.

Pressure on the Bronfman shares is said to have come from short-sellers in the US. A Bronfman group spokesman also linked the rumours to recent developments among other families which dominate much of Canadian business.

Property and property finance markets have been unsettled since the collapse last May of Olympia & York, controlled by the Reichmanns. Last Thursday, the Thomson family, controlling shareholders of Thomson Corp, the international travel and publishing group, said it had raised C$545m by selling a large chunk of its stake in Hudson's Bay Co, Canada's biggest department store group.

The businesses controlled by brothers Peter and Edward Bronfman are estimated to account for between 5 per cent and 15 per cent of the total market capitalisation of the Toronto stock exchange. The "Toronto Bronfmans" are cousins of the family which controls Seagram, the international drinks company. The businesses of the two branches are separate.

Hees International, the Bronfmans' merchant banking arm, said the group knew of no material developments not already disclosed. Canadian Imperial Bank of Commerce said rumours it had withdrawn lines of credit to the Bronfman group were "totally unfounded".

Sober views of the legacy of communism

Economics Notebook

By Peter Norman

Three years ago today, the Berlin Wall came down. But all the implications of that momentous event are only slowly becoming apparent.

It is debatable, for example, whether the US electorate would have chosen Governor Bill Clinton as the next president if communism and the Cold War were still alive.

Even staunch pro-Europeans can question the wisdom of the European Community countries turning inwards and expending vast efforts first to ratify and then implement the Maastricht treaty. The particular vision of European union that grew out of the Hanover European summit in June 1988 is difficult to reconcile with the challenges facing Europe since the disappearance of the Iron Curtain.

The economic development of eastern Europe has been a sobering experience. Governments and peoples have found the going harder than anticipated. Many free market missionaries who set off for Warsaw, Prague and points east with high hopes of profit and glory have returned chastened.

It is not surprising, therefore, that the economic problems of eastern Europe and the former Soviet Union feature strongly among this year's Amex Bank Review Awards for new writing on current economic and financial issues*. What is interesting is a new sobriety among the winners of this, the sixth annual Amex essay competition, where eastern Europe is concerned.

The award-winning essays (the order of the prize winners will be announced later today) suggest a broad consensus that market forces alone are not enough to overcome the legacy of communism.

Professor Richard Rose of the University of Strathclyde makes a powerful case that the achievement of sustained growth and western levels of consumption and social benefit in eastern Europe requires a "civil economy" in the region.

Prof Michael Dooley and Mr Peter Isard, respectively of the University of California, Santa Cruz, and the International Monetary Fund, argue that special care must be given to institutions, incentives and planning if the former communist states are to be turned into market-based economies.

Professor Rose says that in some aspects of policy-making – such as taxation – the former communist countries can learn more from the newly industrialising countries of Asia than the mature western economies. But more important is his question: Are east European economies in transition moving toward a civil or uncivil economy.

By a civil economy, he means one based on the rule of law. It is not enough to have free elections and introduce a private sector by dismantling the controls of the command economy so that individuals can freely buy and sell goods.

"A market also requires the enforcement of laws." Reformers must ensure that the state legislates property rights, sees contracts are enforced, creates an effective tax system and maintains public order so enterprises can invest with security.

Western-trained experts may not provide the best advice in these circumstances. "So accustomed are economists to operating within a framework of a lawful society where corporate and national income accounts both have integrity that they mistakenly assume that the collapse of a command economy automatically creates a civil economy," Prof Rose says.

He warns that east European societies have a mixed economy, but with a different mix to the industrial member states of the OECD. "It is a mixture of civil and uncivil elements."

Some uncivil activities might appear benign: who hasn't made use of a moonlighting craftsman? But the uncivil economy can extend to trafficking in illegal goods and services, extortion and bribery, and is an obstacle to investment in long-term growth. For these reasons, it must be attacked.

However, it is typical of Prof Rose's approach that he pleads for a slow transition. In particular, eastern Europe should avoid the high tax, high government spending policies of OECD countries because these would be difficult to implement and could undermine the nascent democracies.

Messrs Dooley and Isard are similarly cautious about leaving transition to market forces. "Although we have great respect for the power of markets to help countries in transition join the rest of the world in the benefits of market-oriented institutions, we see great danger in overlooking the non-market institutional structure upon which markets depend," they write.

A successful transformation of eastern Europe will require reforms of what they call the economic "woodwork" – employment contracts, banking regulations, bankruptcy laws, payments systems and such like – "that typically receive little attention in discussion of macroeconomic policy design". Otherwise, the east European economies could face economic hardship, including high unemployment and inflation, and political instability.

The two US economists also argue that the east European states will have to subsidise the consumption of employees of the large industrial companies that can no longer survive in the post-communist environment and provide much of the credit needed to restructure these companies.

As another Amex prize winner, Prof Sweder van Wijnbergen of the University of Amsterdam and the London School of Economics, says: "Eastern Europe is not well served with straight textbook advice."

The conclusion to be drawn from the essays is that pragmatism and flexibility in policy-making are required before Adam Smith's invisible hand can be left to get on with its work.

That is a big change in attitudes. If the Amex essays are a guide, experiences in eastern Europe in the years ahead could hasten the swing from dogmatic support for free market ideals in Britain and the US.

* *Finance and the International Economy: 6. The Amex Bank Review Prize Essays. To be published by Oxford University Press.*

Continental Airlines bid decision due today

By Nikki Tait in New York and Bernard Simon in Toronto

THE outcome of a bidding contest for Continental Airlines, the fifth-largest US carrier which has been operating under bankruptcy court protection since late-1990, is expected to be announced today. Board members met over the weekend, and are due to present the winning proposal to the bankruptcy court today.

Only two groups are known to have submitted proposals in the final round of the auction: Air Canada, in conjunction with Air Partners, a Texan investment partnership, and Mr Charles Hurwitz's Maxxam consortium, which includes Aeromexico, one of the largest Mexican carriers. By late yesterday, Air Canada and representatives of Air Partners were still waiting to learn of Continental's decision.

"We haven't heard anything," said Mr John Ricketts, Air Canada's finance director. He said the airline expected to know the outcome this morning. Air Partners also said there had been no word from Continental.

The Maxxam-led offer opened the bidding for Continental in early July, when the chairman of the Houston-based natural resources group, Mr Charles Hurwitz, presented a $350m investment plan to the airline, giving his consortium a 72 per cent stake in the carrier once it emerged from bankruptcy.

In October, this offer was improved when Aeromexico and other Mexican investors joined the consortium.

COMPANIES AND FINANCE

Hard look in the 'right direction'

Philip Rawstorne reports on Allied-Lyons' quest to squeeze more growth out of its many assets

ALLIED-LYONS' decision to sell Chateau Latour, one of the four leading Bordeaux vineyards, reflects the new hard-headed management strategy designed to restore City confidence in the drinks, food, and retailing group, after the £147m currency trading debacle early last year.

Just a year ago, Mr Michael Jackaman, newly-installed as chairman, described Latour as "the jewel in the crown" of Allied's brands, suffusing the group's entire drinks portfolio with its reputation for quality.

But Latour's prestige value has now been weighed against the 3-4 per cent return on the capital tied up in the Medoc estate and found wanting.

When the market spotlight turned on Allied after the currency loss, it was widely seen as a group with strong but underperforming assets.

It had one of the best-balanced portfolios in the international drinks industry; dominant niche positions in the food industry; a solid base in UK brewing; and large scale retailing operations. Yet since the late 1980s, growth in earnings per share and return on assets had failed to keep pace with the progress of rivals Guinness and Grand Metropolitan.

The City looked to the new management team in July last year for a strategy that would improve operating performance and prise more cash out of the business.

Mr Jackaman, and Mr Tony Hales, chief executive, promptly set out to achieve those objectives by narrowing the focus of the group's operations, cutting costs and concentrating resources on brands with international growth potential and strong market positions.

Eighteen months on, Allied's progress has been sufficiently promising to persuade most industry analysts to predict that the group's profit growth over the next three years will outperform the rest of the drinks sector. Its shares are generally rated a strong hold or buy.

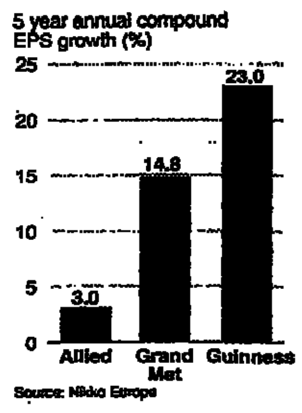
Allied has brought new blood into the boardroom – Peter Macfarlane, finance director, from Rolls Royce; and non-executive directors, John Robb, chief executive of Wellcome, and Miles Rivett-Carnac, deputy chairman of Barings.

The group has been restructured into four divisions to sharpen operational focus: spirits and wine, retailing, brewing and wholesaling, and food manufacturing.

In each sector, peripheral businesses have been sold and acquisitions made to strengthen core operations.

The biggest changes are taking place in brewing with the £510m merger of Allied's breweries with Carlsberg's UK lager business.

The deal, still awaiting final approval from the Monopolies and Mergers Commission after 13 months, will form the third largest brewing group in the UK with a turnover of £1.1bn and about 18 per cent of the market.



Source: Nikko Europe

When it goes through, the merger will also remove £135m of debt from Allied's books.

The wines and spirits division, which accounts for 50 per cent of group trading profits, has sold one of the founding businesses, Showerings cider and VPW British wine, to a management buy-out group for £140m, and disposed of several local whisky brands.

Allied exchanged its Centenario Spanish brandy business for more shares in Domecq, a joint venture partner which has helped to build its business in Spain and will be important to future growth in Mexico and South America.

Acquisition of a 24 per cent stake in Champagne Lanson strengthened the international brands portfolio; and investments bave been made in the European distribution network.

Retailing in the UK has had to contend with the MMC-enforced disposal of pubs in the midst of a recession. Allied has sold 1,350 pubs and leased another 950, including 734 to Brent Walker. Its tied estate, in which it has invested £615m in the past four years and which contributed 25 per cent of profits last year, now comprises 4,400 outlets.

Acquisitions have extended the Victoria Wine chain to 950 outlets. The expansion of international franchise operations has been driven hard. Dunkin' Donuts now has 2,900 outlets, and Baskin Robbins, with 3,500 ice-cream stores, is building factories in Russia, Korea and Thailand.

The food division, accounting for 13 per cent of profits last year, sold Lyons Maid ice-cream in the UK and Sapori confectionery in Italy; but reinforced its bakery and ingredients operations in the US and Europe with add-on acquisitions. Tetley's round teabags have been pushed into more overseas markets.

Across the entire group, the search for cost savings and efficiency gains has been vigorously pursued. Last year, Allied's workforce was reduced by 6,000 and operating profit per employee rose 8 per cent. Productivity in the brewing business improved by 9 per cent.

All this intense activity has begun to establish a solid platform from which the bid for higher growth can be launched.

Marketing expenditure, which last year totalled £366m, has been increased and is being concentrated behind fewer brands: international spirits such as Ballantine's Scotch whisky, Beefeater gin, and Courvoisier cognac; Tetley tea; Tetley beer and Castlemaine lager; and Dunkin' Donuts and Baskin Robbins.

Regional councils have been set up to ensure that synergies across the range of businesses are exploited and opportunities for growth identified in world markets.

With 57 per cent of its profits earned in the UK, and 23 per cent in North America, Allied is targeting the markets of the Pacific Rim and Central and South America. Extra impetus is being given to its alliances with Suntory and Domecq, and its 48 other joint ventures around the world.

Not until hard numbers emerge can the success of the group's aggressive drive be judged; but the market agrees it is going in the right direction. Some industry observers suggest that, if Allied is to maintain long-term momentum, it will have to make significant acquisitions to its spirits and food operations.

Allied's cash resources are likely to be tight – "but if the opportunity for a major acquisition arises," says Mr Jackaman, "we shall not be frightened to go and ask our shareholders for the money."

Enlarged Critchley rises 27% to £1.28m

By Paul Taylor

CRITCHLEY Group, the electrical cable accessories manufacturer which is seeking a stock market listing through a share placing later this month, yesterday reported higher interim profits.

At the pre-tax level they rose by 27 per cent to £1.28m on turnover 23 per cent ahead at £11.2m. Fully diluted earnings worked through at 8.4p.

The figures for the six months to end-September included a contribution from EPC Identification Systems, a US-based company which was acquired at the start of April.

Mr Ian McCallum, chief executive who led a £4.5m management buy-out of the company backed by a consortium of five institutional investors in 1984, said the interim results "show that sales and profits are strongly ahead" and the business continues to expand.

The group also issued its pathfinder prospectus yesterday ahead of the placing which is designed to raise up to £15m, valuing the Stroud-based concern at about £25m.

Harland Simon sale to German company

By Paul Taylor

HARLAND SIMON's UK-based automation systems business has been sold by its joint administrative receivers to Carl Schenck, the German engineering group specialising in the design and production of high precision equipment for use in the industrial sector.

Harland was placed in receivership by its bankers two weeks ago after its proposals for a financial restructuring were turned down. The company's problems began in February when it issued a profits warning, leading to a slump in the share price. In the wake of the resignation of its former chairman, Mr Roy Ashman, the group announced pre-tax losses of £6.32m in the year to March 31.

Schenck's UK subsidiary has acquired Harland Simon Automation Systems which was part of the group's core automation division. The division, which also included Bauteil Holdings, a supplier of North Sea drilling rig controls, and two US operations, posted a £189,000 pre-tax loss before exceptional items on sales of £24.7m in the latest full year.

Commenting on the sale Mr Nick Lyle, one of the two Touche Ross joint administrative receivers, said Schenck should be well placed to provide Harland Simon Automation Systems with "the financial and commercial stability which is required."

Emap sets up joint venture

By Raymond Snoddy

Emap, the publishing and exhibitions group, and Hachette Groupe Presse have set up a 50-50 joint venture in the UK to develop four magazines bought from Mr Rupert Murdoch's News Corporation.

Three of the magazines, Elle, Sky and Elle Decoration, are owned by Hachette, the French media group. Emap is putting New Woman into the joint venture.

The deal, which involves Emap contributing an undisclosed sum of money, is a significant expansion of the British company's interests in the women's magazine market.

Hachette publishes 18 editions of Elle and 11 editions of Elle Decoration.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Minorco (Luxembourg)	Olympic Dam (Australia)	Mining	£294m	BP sells 49% stake
Hong Leong (Singapore)	Gloucester Hotel (UK)	Hotels	£87.5m	Bank selling for cash
First National Bank of South Africa (SA)	Henry Ansbacher (UK)	Banking	£60m	Better deal for minorities
Standard Bank Investment Corp (SA	African operations of ANZ Grindlays (Australia)	Banking	£25m	Stanbic growing again
Venezolana de Pulpa (Venezuela)	Celgar (Canada)	Pulp Milling	£11m	Power Corp sells its half
PepsiCo (US)	Best Foods (Greece)	Snacks	£10m	PepsiCo furthers Greek expansion
Tokyo Seimitsu (Japan)	Silicon Technology (US)	Semiconductors	£9m	Part of trend
AT&T (US)	Norfolk Finance (UK)	Vehicle Hire	£7.4m	Ireland's Fitz--wilton sells
ICI Paints (UK)	Master Distributions (France)	Paint	n/a	Buying trade network
National Westminster Bank (UK)	Burns Fry & Futures (US)	Banking		US Fed approves

NEWS DIGEST

Pegasus falls by 61% to £655,000

Shares of Pegasus Group, the USM-quoted designer of computer software, fell 12p to 117p on friday while revealing a fall in pre-tax profits from £1.67m to £655,000 for the year ended July 31.

The company has changed its year-end and figures for the 17 months to end-December will be announced in March.

Turnover declined to £7.56m (£8.15m) and earnings per share emerged at 7.6p (19.9p). Cash balances at July 31 stood at £2.62m (£3.27m). In addition, the group received £1.7m in cash in September from Deluxe Corporation as consideration for the sale of 25 per cent of the share capital of Stockforms.

A second interim dividend of 3.5p makes 7p (12.1p) for the 12 months. A final dividend is "anticipated".

Youghal Carpets

Youghal Carpets went further into the red in the half year ended July 5, reflecting lower turnover, higher operating losses and exceptional charges.

The group is based in Ireland but 75 per cent of sales are made in the UK.

Pre-tax loss for the period was I£2.17m, or £2.35m, against I£1.69m. Reorganisation costs this time accounted for I£121,000.

Turnover fell 6 per cent to I£22m (I£23.4m) reflecting the depressed UK market and a slow down in Ireland. Operating losses were up from I£660,000 to I£977,000.

The benefits of cost savings offset the lower volumes to produce an overall operating result for UK activities in line with the previous year.

Lower consumer demand in Ireland affected volumes and margins leading to a deterioration in the trading performance. Short time working also affected the result.

Losses per share came to 4.82p (3.8p).

BDA still in profit

BDA Holdings, architects, consultants and property developers, has stayed in profit, making £6,000 pre-tax for the half year ended July 31 1992.

Mr Brian Duker, chairman, said the profit – £1,000 down on last time – was achieved despite a fall in turnover from £1.14m to £733,000 and the ongoing effects of the recession in London and the south-east.

No provisions have been made for any reduction in values of property and sites, as it was considered the current values reflected their value to the group.

Earnings per share were 0.03p (0.04p).

The marketing of the two remaining areas of office accommodation at Chingford and Ilford continued, the chairman said.

COMPANY NEWS

Total reinforces takeover defences

By William Dawkins in Paris

TOTAL, the French state-controlled oil group, yesterday bolstered its takeover defences and warned that write-downs and restructuring would cost it FFr600m ($111.3m) this year.

The news, two months after Total announced a 47 per cent fall in first-half net profits to FFr1.9bn, hit the share price, which closed last week at FFr239.50, slightly above the FFr230 at which the French state sold a FFr9.5bn stake in Total last June.

This deal reduced the government's direct holding from 31.6 per cent to 5 per cent. Including other state institutions, the public sector owns 15 per cent of Total.

The group, which made a FFr5.8bn net profit last year, up 41.5 per cent, warned, after a board meeting, that it was holding to a conservative view on how markets would develop in coming months, although refining margins had improved in recent weeks. Accordingly, Total had decided to revise the book value of some non-strategic assets.

Total, the latest French company to reinforce its takeover defences, is to limit individual shareholders' voting rights to 10 per cent of the total, or 20 per cent for investors whose shares have acquired double voting rights. The limitation does not apply to an investor with more than two thirds of the capital.

Others to have used a similar defence technique include BSN, France's leading foods group, and Alcatel Alsthom, the telecommunications-to-engineering giant, to the anxiety of the French stock exchange authorities who fear that voting restrictions could deter foreign investors. The government owns a golden share in Total, which already gives it the power to reject a hostile bid.

Separately, Total announced that initial appraisals of the Peciko gas field in Indonesia showed possible reserves of 100bn cubic metres. This, plus another big recent discovery in Colombia, in which Total has a 15 per cent stake, marks a big step in the French group's strategy of increasing its reserves outside the Middle East.

Investment income behind profits rise at Munich Re

By David Waller in Frankfurt

LOSSES in mainstream reinsurance business improved only slightly from the very high levels of last year, Munich Re reported, although income from capital investments enabled the group to improve overall profits substantially in the year ended June 1992.

At the parent company – which accounts for some 80 per cent of group business – the reinsurance loss was DM922.5m ($578.7m), down from DM962.3m in 1990-1991. Mr Horst Jannott, chief executive, blamed the scale of these losses chiefly on large claims in the European fire insurance sector, as well on natural disasters such as Typhoon Mireille which caused $5.2bn damage to Japan in September 1991.

In the parent company, income from capital investments rose to DM1.96bn from DM1.69bn in the previous year. This helped ensure that profits for the group as a whole rose to DM177.6m in 1991-1992 compared with DM104.9m. Group premium income rose by 11.3 per cent to DM15.8bn and the dividend for this year would once again be DM10 per share, Mr Jannott said.

He said that the group would once again report reinsurance losses in the current year, partly because of Hurricane Andrew which hit the US at the end of August, but also because of industrial fire risks and the sharply increased number of car thefts in Germany. But this would be compensated for by investment income and it was likely that the dividend for 1992-1993 would also be DM10 a share.

The impetus for turnover growth last year came from expansion into the eastern part of Germany, with the result that parent company domestic fee income rose by 12.6 per cent.

Mr Jannott warned that this year's fee income figures would be hit by the translation effects of a higher D-Mark.

Marshall Cohen: the future looks positive

Earnings at Molson held within range of record

By Robert Gibbens in Montreal

MOLSON, the Canadian brewing, special chemicals and retailing group, suffered from sluggish economic recovery in north America and weak consumer confidence during the first half of 1992.

"However, our earnings held within the range of last year's record levels and the future looks positive," said Mr Marshall Cohen, president.

Revenues rose 5 per cent to C$1.6bn, while net profit slipped to C$74.8m (US$59.7m), or C$1.26 a share, from C$77m, or C$1.38, a year earlier. Operating profit was up sharply at Diversey, the special chemicals unit.

Second quarter results, showing the same trend at the operating level, were C$36.4m, or 60 cents a share, against C$37.7m, or 67 cents, on revenues of C$812m, against C$767m.

Following a C$120m equity financing, part of which was used to reduce debt, interest expense for the six months was down sharply.

The recession and a poor summer in eastern Canada depressed brewing in the first half. Industry volume fell 3.8 per cent while Molson's domestic market share fell slightly to 49.5 per cent.

Molson has reduced costs and an industry price increase earlier this year helped. US sales rose slightly.

Diversey sales rose 8 per cent and operating profit 20 per cent with strong performance in Asia Pacific, Europe and Latin America, but margins contracted in north America.

Retailing revenues rose 10 per cent but the big Ontario market was weak and operating profit dipped 14 per cent.

● CAE Industries is maintaining its world leadership in commercial flight simulators, but its first half results highlight the decline in this market due to the airline industry's financial problems.

Second quarter profit was C$6.9m, or 6 cents a share, against C$7m, or 7 cents, a year earlier, on revenues of C$260m, down 7.8 per cent. Results were helped by lower interest rates and taxes and exchange gains.

First half profit was C$12.7m, or 12 cents a share, against C$13.7m, or 13 cents, a year earlier.

Fuel lift for Japanese ship lines

By Robert Thomson in Tokyo

JAPANESE shipping companies yesterday reported that lower fuel costs helped to support earnings during a difficult first half. Nippon Yusen, the largest line, reported a 6.3 per cent rise in pre-tax profit to Y7bn ($57m).

Nippon Yusen, part of the Mitsubishi group of companies, said operating profit during the six months to end September rose by 28.9 per cent to Y12.9bn and sales rose 8.7 per cent to Y299bn, but profits were hit by appraisal losses on securities holdings and the appreciation of the yen.

Nippon Yusen said container services to the US increased, reflecting the rise in Japanese exports, but cargo movements to Europe slowed and "competition intensified". Asian business remained strong, and demand for tankers "proceeded steadily".

"Prospects for greater cargo movement during the rest of the year are not bright, as the general stagnation of the world economy and the uncertainty of the Japanese economy have combined to put the industry in a difficult situation," NYK said.

Mitsui OSK Lines, the second largest Japanese line, reported a 15.7 per cent fall in pre-tax profits to Y3.6bn and a 48.3 per cent fall in operating profit to Y4.8bn, in spite of a 2.4 per cent rise in sales to Y244bn.

The company's profits were eroded by heavier interest payments and depreciation charges, while the market value of its short and long-term holdings of stocks fell in tandem with prices on the Tokyo Stock Exchange.

For the full year, Mitsui expects sales 1.8 per cent higher at Y490bn, and a 5.9 per cent fall in pre-tax profit at Y7bn. It had previously forecast a pre-tax profit of Y10bn.

Kawasaki Kisen reported a 63.9 per cent fall in pre-tax profit to Y559m after a 1.7 per cent fall in sales to Y187.6bn during the first half. The company blamed the international recession for the plunge in profit, but it also reflected sharply lower income on financial items.

The shipping line said yen appreciation and slower demand from Europe would continue to hurt earnings over the full year, for which it forecasts a pre-tax profit of Y2.5bn, down from Y4bn, on sales of Y377bn, compared to Y384bn last year.

Yamaha cuts payout after plunge

By Charles Leadbeater in Tokyo.

YAMAHA, the world's largest musical instruments manufacturer, yesterday confirmed the force of the downturn hitting Japanese manufacturers by announcing its first dividend cut in 38 years.

Reporting a 43.7 per cent drop in pre-tax profits to Y3.87bn ($31m) in the six months ended September, Yamaha said it would cut its interim dividend from Y5 to Y3. The dividend for 1992-1993 would be cut to Y6 from Y10 last year.

The company's pre-tax profit fell to Y3.87bn from Y6.87bn in the first half of last year, on sales of Y180.9bn, about 11.2 per cent down on 1991.

Yamaha has been hit by a sharp downturn in consumer demand in Japan which has been compounded by the recent strength of the yen.

However its capacity to weather the downturn in its consumer markets has been diminished by a sharp fall in the value of its securities holdings reflecting the fall in the Tokyo stock market.

Post-tax profits fell by 39.7 per cent to Y1.7bn. Earnings per share declined to Y8.89 per share, down from Y14.75 per share in the first half of last year.

● Kao Oil, the Japanese affiliate of Caltex petroleum, reports modestly lower pre-tax profits with recent yen strength offsetting a fall in demand. Pre-tax profits fell 1.6 per cent from a year earlier to Y889m on sales of Y115.19bn, down 7.8 per cent. Net profit more than doubled to Y616m, the company said.

Chinese group in Peruvian deal

SHOUGANG Corporation, China's largest steel group, has bought Hierro-Peru, Peru's failing state-owned iron mining company, for $312m, Reuter reports from Beijing.

The deal is the second foreign purchase announced by Shougang over the past few days. It acquired California Steel Industries, whose steel mill will be dismantled and taken to China to replace one of Shougang's own mills.

Of the total price tag, Shougang will invest $150m back into the Peruvian group.

Aga profits slip 3% to SKr1.03bn at nine months

By Christopher Brown-Humes in Stockholm

AGA, the Swedish industrial gas group, reported profits of SKr1.03bn ($172m) for the first nine months, down 3 per cent from the same period in 1991.

Sales fell to SKr8.56bn from SKr9.40bn, reflecting Aga's earlier merger of its Uddeholm energy unit with Swedish power group Gullspangs Kraft. The group's ongoing operations, gas and the Frigoscandia food processing and cold storage business, increased sales by 1.5 per cent during the period.

Operating income fell 9 per cent to SKr946m from SKr1.08bn, mainly because Frigoscandia's equipment operations were affected by the international recession.

The group said it was on target to produce full year profits of SKr1.43bn, unchanged from last year and in line with an earlier prediction. It expects the downturn at Frigoscandia to be offset by its share of earnings from the new Gullspang.

Demand for hepatitis drug boosts Takeda

By Emiko Terazono in Tokyo

TAKEDA Chemical Industries, Japan's largest pharmaceutical company, has seen sales and profits rise due to brisk demand for its new anti-hepatitis drug.

For the six months to September, Takeda posted a 1.8 per cent rise in non-consolidated sales to Y284.2bn ($2.3bn), while pre-tax profits rose 2.9 per cent to Y36.2bn. After-tax profits grew 16.1 per cent to Y16.3bn, as the company suffered extraordinary losses of some Y4bn due to typhoon damage the previous year.

Takeda said a steady 4 per cent rise in drug sales offset the 7.5 per cent fall in sales of chemicals. For the full year to March, the company expects a 0.2 per cent rise in pre-tax profits to Y71.5bn on a 1.6 per cent increase in sales to Y570bn.

Eisai, another leading drugs company, said profits were affected by rising costs, while sales were hit by official cuts in drug prices last April. Overall sales rose by a mere 0.6 per cent to Y111bn, while pre-tax profits fell 1.9 per cent to Y17.2bn.

S Korea approves Daimler holding

SOUTH Korea's Ministry of Finance has approved the purchase by Daimler-Benz of a 5 per cent shareholding in Ssangyong Motor for $33.9m, writes John Burton in Seoul.

Daimler-Benz is the first European vehicle producer to purchase a stake in a South Korean motor company.

Ssangyong is South Korea's fifth largest motor company and a producer of trucks, buses and jeeps.

Austrian petrochemicals group back in the black

By Ian Rodger in Zurich

OMV, the state controlled Austrian energy and petrochemical group, returned to profit in the third quarter and is now expecting to reach break-even in the full year.

The group, which has suffered from boardroom strife and a slump in its refining and petrochemical operations this year, said it made a pre-tax profit of Sch201m ($189m) in the third quarter after a loss of Sch584m in the first half.

For the nine months, pre-tax losses were Sch383m compared with a profit of Sch1.19bn in the same period of last year. Turnover was down 2.4 per cent to Sch60.7bn.

The energy division was responsible for the profit turnround, with both the refining and marketing businesses returning to profit in the third quarter, mainly as a result of cost cutting. The division as a whole made a profit of Sch919m in the nine-month period, down 43 per cent.

The chemical division lost Sch46m in the third quarter as fertiliser and melamine sales slumped, but a turnround is expected next year. The plastics division lost Sch367m in the third quarter, as prices for polyolefins fell.

The group said at the interim stage that it was still expecting "a positive result" for the year, but this has been revised downward to break-even.

● Verbund, the Austrian electricity utility, expects net profits to jump 24 per cent this year to Sch750m, Mr Walter Fremuth, chief executive, said in Frankfurt.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Investors wait for 'Clintonomics'

NEWS of Governor Clinton's impending presidency had a decidedly muted effect on bond markets last week. In fact, it would be tempting to conclude that the regular monthly employment figures had more impact overall than did the outcome of the presidential election. After all, Friday's revelation that the national unemployment rate had fallen from 7.5 per cent to 7.4 per cent caused the benchmark 30-year long bond to lose ¾ of a point and the yield to rise 7.76 per cent. By contrast, Tuesday night's election results left the long bond unchanged in the following day's trading.

But in large part, the lack of reaction on Wednesday simply reflected lack of surprise. The presidential election result was so well signalled in advance, that it would have been astonishing if the market had not discounted a Clinton victory. After all, in mid-September – when the hullabaloo from the two party conventions had died away and the serious race was starting, the long bond yield stood at around 7.3 per cent. By the time the polls closed, it had already risen to 7.65 per cent.

The more interesting issue is where the market moves now. *For the immediate future*, a heightened nervousness seems likely, but with little underlying sense of direction. That was already evident on Friday, when the market reacted negatively to some fairly ambiguous jobs figures. On the plus side, the October data did *suggest* the nation's unemployment rate had dipped for a fourth consecutive month. The figures were also released in the wake of some moderately encouraging news from other parts of the economy – the store sales results for October, for example.

Nevertheless, Friday's data also revealed that payroll jobs, although rising by a modest 27,000 overall last month, were still declining in the "productive" sector. Factory jobs, for example, tumbled by 56,000 last month, following a 38,000 drop in September. The overall rise, then, came through growth in health-related jobs, business services, and construction – which, in turn, reflected the rebuilding efforts in Florida following Hurricane Andrew.

Nevertheless, the market, with its increased wariness, *seemed more* inclined to react to the headline unemployment number than to the finer details of the jobs data. By the time trading ended on Friday, the long bond yield was at its highest level since June.

So what will determine *where the market goes in the* longer-term? One key issue is the personalities selected by Mr Clinton to run the economy. While the shape of the Cabinet overall is plainly crucial, the markets will focus first on the new treasury secretary. There has been some speculation that Mr Paul Volcker might be a candidate for the post, a move which the markets would plainly welcome. But, at the very least, the investment community generally is looking for "one of its own" – an individual who has long experience of dealing with the financial markets, rather than, say, a liberal economist or academic.

A second issue is how "Clintonomics" shapes up in practice – something which analysts acknowledge will be hard to assess for several months. At present, some commentators are relatively sanguine, arguing that the programme, as already indicated, has more to do with redistributing federal expenditures than delivering a full-scale fiscal stimulus to the economy. In this respect, the very tentative signs of *improvement in the US econ*omy – the falling unemployment rate, the pick-up in store sales – may be no bad thing. A slow revival, it is argued, might remove some of the political pressures on the Clinton White House.

That said, everyone is anxious to hedge their bets – a policy which brought action to the municipal bond market last week. Prices of tax-free munibonds and notes started to rise sharply on Monday, and the rally snowballed thereafter. If the President-Elect follows through on plans to increase taxes on high-earners, runs the reasoning, tax-exempt munis look to be a winner.

Nikki Tait

SPANISH BONDS

Challenge of primary market reopening

MR Manuel Conthe, director-general of the Spanish treasury, sees the reopening of the primary market for medium and long-term debt as an important challenge for his department.

Mr Conthe, who pioneered longer-dated debt instruments, watched them flourish and then fall in popularity with international investors as Denmark's rejection of the Maastricht treaty prompted foreigners – the chief buyers of Spanish long bonds – to switch out of the high-yielding *European bond markets into* the D-Mark zone. As a result, the Spanish treasury, unable to sell long-dated bonds, was forced to issue short-term paper instead.

Spain was one of the countries to suffer from the bout of *currency speculation which hit* Europe's weaker members in September. The government devalued the peseta and came under attack for temporarily re-introducing exchange restrictions.

Mr Conthe believes that stability has returned at last. Faced with a growing deficit and hemmed in by a tough repayment schedule, he wants to start issuing three, five and 10-year bonds again.

His problem, and hence the challenge, is that the market seems to have forgotten about Spain's medium and long-term issues of six months ago as doubts linger over whether stability really has returned.

Last month, the government *tested the market's appetite at* the first treasury auction to deal in medium and long-term primary debt since May 28. Only a small amount of paper was allotted, but it did serve as an indicator for what the market can expect at the next auc*tion, on November 25.*

"Essentially the primary market was put in line with the secondary one," says Mr Alvaro Villacieros, of James Capel's securities house in Madrid. At the October 29 auction, three-year paper yielded 13.20 per cent, the five-year bonds 12.92 per cent, and the 10-year bonds 12.50 per cent. A total of Pta11.4bn was allotted, with the treasury pointing the market towards lower yields.

An auction for three-month and six-month paper last week showed just how inverted the yield curve has become. A total of Pta334bn was allotted, with the three-month paper yielding 13.214 per cent and six-month paper 13.41 per cent.

*Mr Robert Barry, of Bar*clays, points out that 10-year Spanish bonds now yield 533 basis points over comparable German issues - "a generous premium by anyone's standard". In common with other dealers, he believes it may still be "perhaps *a little early*" to come into the market. Foreigners are wary of the currency risk and the broadly-based anticipation of a second devaluation is spurred by outbursts of pressure on the peseta as it lies close to its ERM floor.

Mr Luis Angel Rojo, the Governor of the Bank of Spain, argues that the peseta's depreciation against the D-Mark and the dollar makes any further devaluation unnecessary. Earlier comments by Mr Carlos Solchaga, finance minister, suggested that the peseta will be pegged down as part of a general realignment of the ERM timed to coincide with the lira's return.

In the absence of further currency *turmoil, foreigners may* be tempted back to the market. At least, that is what the treasury is hoping. In January alone, the treasury will be required to refinance Pta2.3bn worth of debt as the short-term paper of the past months matures. *Once that hurdle is* over an easing of interest rates could be on line.

Tom Burns

UK GILTS

Rate cut hopes lift short-dated end

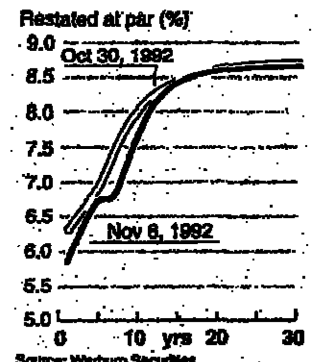
A STRONG view that interest rates will come down as part of a package of measures to accompany this week's Autumn *Statement was behind* the continued rise in prices for short-dated gilts, although longer-maturing securities saw something of a setback.

Although the thought that base rates are almost certain to come down from their current 8 per cent bolstered the market, there was also some concern that Thursday's statement from the Treasury will produce bigger than expected projections for the public spending borrowing requirement for the 1992-1993 and 1993-1994 financial years. Such a development would probably depress prices because of the implications that a large amount of gilt funding might be needed over the next two years.

Such worries had little impact on slowing the recent steady rise in prices at the short end of the market, where yields for most classes of gilts fell by around 50 basis points. That tied in with the feeling that base rates are set to come down to perhaps 7 per cent this week and possibly to as low as 5 per cent by early next year, in a bid by the government to get the economy moving and end the two-year recession.

UK gilts yield

Restated at par (%)



Source: Warburg Securities

For longer dated securities, however, yields stayed generally unmoved on the week, a result of lingering fears that the recent devaluation of sterling and the interest rate cuts that may be in the pipeline could unleash some upsurge in inflation in the medium term.

According to Mr James Barty, an economist at Morgan Grenfell in London, such fears may be founded on an incorrect view of how the atmosphere for wage rises throughout the economy will develop.

He reckons that underlying inflation – *as measured by the* retail price index less the effect of mortgage interest payments – is likely to accelerate somewhat over the next year. It might edge up to a year-on-year rate of just over 4 per cent by the end of 1993, above the current 4 per cent. However, headline inflation – measured by the RPI by itself – will continue to be extremely weak due *to the effects of likely cuts in* mortgage rates feeding their way into the calculation of the index.

That, Mr Barty thinks, should keep headline inflation down to 2 per cent or less for much of next year, giving wage bargainers few reasons to push for large increases in pay. That would help the current climate of disinflation. As a result, prospects for prices at the long end of the yield curve could be distinctly better than some in the markets now believe, with yields being kept correspondingly low.

However, this prediction – which involves a flattening of the yield curve, the opposite of what has happened in recent weeks in which the curve has become progressively more upward-sloping – could be blown off course by the large rises in the PSBR being *postulated for the next* year or so. While the Treasury's Budget forecast in March *was for a deficit for* 1992-1993 of £28bn, many economists reckon the updated forecast coming out on Thursday will be for about £35bn, while *the PSBR for the year after* could rise to nearly £50bn. The large amounts of gilts that the Treasury would be forced to issue could push down yields at virtually all parts of the curve.

As though with an eye on the future funding needs, the Bank of England announced on Friday that £1bn of long-dated gilts are to be issued from today. They are 8 per cent Treasury stock due 2009 and will sell for 94.75. Of this, 25 per cent will be payable immediately, 35 per cent on December 14 and 34.75 per cent on February 1993. The first dividend of 1.9834 sterling will be paid on March 25 1993. An additional £200m of the stock will be reserved for the National Debt Commissioners.

Peter Marsh

Liffe to drop Ecu bond futures

By Sara Webb

THE London International Financial Futures and Options Exchange (Liffe) is to abandon its Ecu bond futures contract. Trade in the contract has dried up because of uncertainty over the prospects for European economic and monetary union, and competition from the Paris-based Matif exchange.

The Matif's Ecu bond future has an average daily volume of 2,644 contracts. However, in June – the month when the European bond markets were in turmoil following Denmark's rejection of the Maastricht treaty on European economic and monetary union – the average daily volume rose to 10,114 contracts, according to the Matif.

By contrast, Liffe said its Ecu bond contract, launched in March 1991, has not traded at all since June 2.

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106	-1/8	4.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RALSTON PURINA 11 3/4 95	150	112 5/8	-1/8	6.19
REED PUBLISHING 9 5/8 97	150	110 5/8		6.84
SAINSBURY 9 1/8 96	150	108 5/8	-1/8	6.54
SAS 10 99	200	108	-1/4	8.30
SAS 10 1/8 95	150	108 1/4	-1/8	7.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VOLKSWAGEN COM 8 5/8 97	[illegible]	103 1/2	-1/8	7.71
WORLD BANK 0 15	2000	22 5/8	-1/8	6.59
WORLD BANK 5 3/4 96	300	95 5/8	+1/8	7.16
WORLD BANK 8 3/4 00	1250	108 1/2	+1/4	7.22

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	97	+1 1/2	6.28
COUNCIL EUROPE 4 3/4 98	250	94	+1/2	6.11
EIB 6 3/4 04	300	103 1/4	+1 1/4	6.35
ELEC DE FRANCE 7 1/4 06	100	106		6.55
FINLAND 7 1/4 99	300	105 1/4	+1/4	6.31
GENERAL MOTORS 7 1/2 95	100	99 1/2	-1/4	7.70
HYUNDAI MOTOR FIN 8 1/2 97	100	105	+1/2	7.23
ICELAND 7 5/8 00	100	104	+1/2	6.93
JAPAN DEV BK 5 1/2 94	100	99 1/2	+1/4	5.90
KOBE 6 3/8 01	240	102	+1/2	6.07
NEW ZEALAND 4 7/8 99	200	92 1/2	+1	6.36
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS	Expiry	Price	Chg on week	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TAKASHIMAYA	02/07/96	1 1/4		99.66
TOYO SASH	05/08/97	2 1/2	-1/4	
YAMANOUCHI PHARM	01/03/94	5	-3/4	22.07

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

/sts/a/bd/bin/dump-albd

INTERNATIONAL CAPITAL MARKETS

JAPANESE EQUITY WARRANTS

Issuers forced to seek more capital for repayment

REFINANCING the Japanese equity warrant binge of the late 1980s may cause less of a log-jam in the public capital markets than expected, if experience so far is any guide.

The rush started in earnest this summer. After running at around $1.5bn-$2bn a quarter, the value of warrant bonds falling due leaped to $8bn in the March-June period and $14bn in the following three months. Most of the warrants have expired worthless, forcing the issuers to raise additional capital to repay bondholders.

Yet the markets have so far taken it in their stride: against a background of inactivity in the equity-linked sector of the Euromarkets, and without any significant pick-up in the Japanese domestic corporate bond market, many issuers have turned to commercial paper or private placements to plug the gaps.

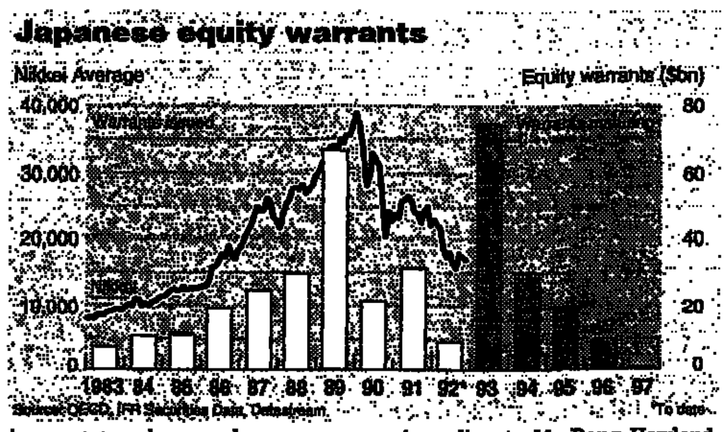
The crunch year will be 1993, when some $75bn of such issues mature, according to figures from IFR Securities Data. Equity warrant issues, which typically have a four-year maturity, peaked in popularity in 1989 with Japanese issuers attracted by very cheap financing, and with Japanese retail investors eager to place their shirts on what looked like a one-way bet.

Of the 13 deals the market has seen worth $1bn or more, all but one were in 1989. The slump in the Tokyo stock market means that warrants linked to deals brought out around that time are not being exercised and the issuers are having to face up to refinancing the bonds.

There are five main avenues to explore for refinancing purposes: like-for-like equity warrant issues, convertible bonds, Euroyen bonds, straight bonds in the domestic market and bank loans. In addition, medium-term notes and commercial paper could be used as a temporary measure. Companies like Toyota might, it is thought, simply redeem the bonds out of their petty cash.

The exact distribution of the refinancing burden will depend upon prevailing market conditions and the differing requirements of the borrowers, but it is probably safe to say that bank loans will be the smallest part of the solution, given the problems Japanese banks are having with their loan books and the constraints imposed by capital adequacy guidelines. Straight Eurodollar issues are being ruled out for all but the best known names with good ratings.

Nor has the domestic bond market come to the rescue of warrant bond issuers. Liberalisation measures, designed to make the market more accessible to Japanese companies, have so far failed to prompt issuance on a large scale.



"Efforts to stimulate domestic issuance by the Ministry of Finance may fall short of meeting Japanese issuers' real needs," concludes Moody's Investors Service, the rating agency, in a report on the Japanese shelf registration system.

Refinancings in the warrant market have also been running at a very low ebb this year. Just $9bn of warrant bonds were issued in the first nine months, only a third of the amount raised in the same period in 1991. Most bankers agree that the market, while still fragile, is strong enough to absorb considerably more than this – say $20bn-$30bn of new issues a year.

According to Mr Doug Howland, of Goldman Sachs: "The warrant market remains a viable sector with a good investor base. Demand is outstripping the current limited supply, notwithstanding the recent softness in the new issue market."

The buyer profile today looks very different from 1989, when around three-quarters of the warrants quickly flowed back to Japanese retail investors. Today, according to some estimates, 50 per cent is being bought by UK institutions, 30 per cent by continental Europe including Switzerland and just 10 per cent by Japan.

"Japan looks attractive now," says Mr Paul Sauvary, deputy chief executive of Schroder Securities. "To have a four-year option on Japanese stock at this stage in the cycle has to look an attractive investment."

Issuers and their bankers will be hoping that this message is getting through: according to one estimate, some $3bn of warrant-linked issues is scheduled for the coming weeks, representing a sudden pick-up after a very quiet year. Sumitomo Rubber and Canon are among the biggest issuers waiting in the wings.

In the meantime, private placements and the US commercial paper market have been used to take much of the strain of the refinancing wave, as public markets have shrunk in significance.

The saviour for the original warrant bond issuers would, of course, be a revival in the Tokyo market. Baring Securities says that the Nikkei would have to recover to 33,000 from today's levels of around 17,000 to make any significant reductions in the amount of debt that needs to be refinanced. But the message from one Japanese banker in London is to forget it. "Issuers will not be bailed out by a recovery in the stock market."

Brian Bollen and Richard Waters

RISK AND REWARD

A gravity-free stroll through the financial market revolution

THESE days, in the financial markets, it can sometimes seem as though the laws of gravity have been rewritten. A whole generation of computer-assisted traders seems bent on disproving the old Newtonian law of investing, that to earn higher returns, you have to take on bigger risks. As a result, today's financial traders sometimes seem to be walking on air, buoyed by theories that to an average investor are unintelligible.

Imagine, for instance, holding a portfolio of securities that made you money no matter which way the market moved. Impossible? Maybe not. Consider the prospectus for a hedge fund launched recently by Cresvale, a London-based asset management and securities company. It claims to follow hedging strategies, the result of which "is to maximise the value of the underlying securities and warrants in rising, falling and sideways markets". So where's the catch? "At all times the fund is anticipated to be market neutral," Cresvale says.

Sounds too good to be true? Not if you listen to some of the claims coming from the derivatives markets. The modern armoury of interest rate, foreign currency and equity instruments should make it possible to hedge away any particular element of risk, leaving an investor or trader carrying only those risks they feel comfortable with. If you're holding Japanese equities, why not protect yourself against a falling yen and only carry the equity exposure? Or why not eliminate the equity risk by buying a few put options on the Nikkei stock market average? Better still, if linkages between the various financial markets are not working efficiently, why not hedge away the risks altogether and get left with a residual return?

This selective approach to risk is now driving a large amount of trading in all financial markets. A barrage of new trading approaches and a lot of computer power has been brought to bear on areas which were once left to traders who had little more to guide them than their own gut-feelings plus the comforting words of an analyst or economist looking over their shoulder. Everyone from the fund manager who uses quantitative techniques to the equity trader who hedges his position by buying options is now relying on greater computer power and sophisticated modelling to develop an investment or trading approach.

The growth of derivatives markets – and the growth of the derivatives industry, among the most profitable in the financial sector – are one result. Yet this revolution has had other, less obvious results.

One has been the greater opaqueness of financial markets, and the institutions which deal in them. Over-the-counter markets are private places where it is sometimes difficult for an outsider to discover even what is being traded, let alone who is trading it or for how much. Also, not much of what goes on is reflected in banks' balance sheets. At the end of last year Bankers Trust, the US bank which has been at the forefront of the move into derivatives, recorded $59bn of credit risk on its off-balance sheet activities. This compared with $58bn on its traditional on-balance sheet business – the first time its off-balance sheet risks had been greater.

If things are becoming opaque for outsiders, then more worrying is the fact that they are becoming equally opaque for regulators and senior managers in financial institutions. A report from the Bank for International Settlements pointed last week to the worrying lack of statistics on what is happening in some derivative markets, and the risks banks are taking on as a result.

A second result has been a change in the way financial markets move. Volatility has increased as fewer, bigger traders, driven often by technical trading methods, seek to move ever-larger sums between markets. Closer linkages between markets – one result of the growth of derivatives – has meant that any shocks can be transmitted faster through the machine.

In future weeks, this column will explore the revolution in the financial markets. It will look at the new financial instruments and markets that have developed, and the trading strategies of the people who use them – whether fund managers, bankers or corporate treasurers.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sungshin Cement(d)§	12	2007	15	3.5	100	Tong Yang Secs.	-
Crédit Local de France(e)‡	100	2002	10	(e)	99	Lehman Bros.Int.	-
BNP(f)‡	75	2002	10	(f)	99.75	CSFB	-
Tsurumi Manufacturing(g)♦	50	1996	4	1.625	100	Daiwa Europe	-
Consortio G Grupo Dina(j)	150	1997	5	10.5	99.357	Salomon Bros.Int.	10.669
Electricité de France(k)‡	100	2002	10	(k)	99.95	UBS P&D Secs.	-
Hankyu DS Europe(l)‡	50	1997	5	(l)	100	Merrill Lynch Int.	-
Kingdom of Norway(m)‡	200	2002	10	(m)	99.5	Kidder, Peabody Int.	-
Dowa Mining Co.(n)♦	70	1996	4	1.625	100	Yamaichi Int.(Europe)	-
Dowa Mining Co.(n)♦	30	1996	4	1.625	100	Nikko Merch.Bk(Sing.)	-
Bank Austria(o)‡	50	2002	9.67	(o)	100.25	Lehman Bros.Int.	-
GECC(r)	100	1995	3	5.25	100.9175	Paribas Cap.Mkts.	4.914
Guinness Finance(v)‡★★	75	1994	2	(v)	101.25	Lehman Bros.Int.	-
YEN							
EBRB	35bn	1997	5	4.5	99.6	Sakura Fin./Nomura	4.595
D-MARKS							
Sasaki Glass Co.(h)‡★★	30	1997	5	(h)	100	Sakura Bk(Deutch.)	-
DG Hypothekenbank(i)‡	100	2002	10	(i)	101.25	DG Bank	-
Remy Cointreau	130	1997	5	8	101.875	Commerzbank	7.536
STERLING							
Halifax Building Society	200	1998	6	7.75	99.41	Samuel Montagu	7.877
Bayerische Hypo-Bank(u)	150	1997	5	7.375	101.625	Morgan Stanley Int.	-
FRENCH FRANCS							
Electricité de France	2bn	1997	5	8.25	99.65	JP Morgan Secs.	8.338
Société Générale	1.5bn	2002	10	8.5	100.65	Société Générale	8.401
Rhône-Poulenc	1bn	1999	7	8.75	101.325	CCF	8.491
CCF(p)‡	600	1997	5	(p)	100	CCF	-
World Bank	1.5bn	1999	7	8.125	99.612	BNP Cap.Mkts.	8.200
Compagnie Bancaire	1bn	1996	4	8.5	101.295	CCF	8.108
Alcatel Alsthom(w)	500	1999	7	8.75	101.72	Société Générale	8.415
CANADIAN DOLLARS							
IBM Int.Finance	150	1996	3.25	6.625	100.7125	UBS P&D Secs.	6.362
DSL Bank	125	1995	3	6.5	100.9875	Goldman Sachs Int.	6.130
GUILDERS							
AKZO	300	2002	10	8	100.75	Rabobank Nederland	7.889
Sudwestdeutsche LBk	250	2002	10	7.75	100	SBC Nederland	7.750
LKB Finance	200	1997	5	7.25	100.3	SBC Nederland	7.176
SWISS FRANCS							
Daiwa Industries(a,b)♦★★	50	1996	4	2.375	100	Bank Leu	-
Hibiya Engineering(a)♦★★	50	1996	4	2.375	100	Daiwa Secs.Bk(Switz.)	-
Bangkok Land(c)§★★	50	1997	5	4.5	100	DG Bank(Schweiz.)	-
Republic of Ireland★★	150	2001	8	6.5	101.5	Swiss Bank Corp.	6.277
BMW Finance	150	2000	8	6.25	102.125	UBS	5.909
Air France	150	2002	10	6.75	100.75	UBS	6.645
Philip Morris Companies(q)	100	1998	6	6.375	102.125	Crédit Suisse	5.944
LUXEMBOURG FRANCS							
Cregem Finance(s)	1bn	2002	10	8.25	101.9	Cregem Int.Bank	7.967
Cregem Finance(t)	1bn	2002	10	8.25	102.125	Cregem Int.Bank	7.934

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate note. a) Exercise price fixed at approx. 2.5%. b) Callable on 19/11/94 at 101% and on 19/11/95 at 100½%. c) Conversion premium fixed at 5.47%. Putable on 11/12/95 at 112.2%. d) Conversion premium fixed at 5% over 5-day average price. Putable after 5 years at 126.05%. e) Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. f) Fungible with $150m issue launched on 22/9/92 from 28/11/92. Plus 58 days accrued interest. Coupon pays 12.5bp below 6-month Libor. Minimum coupon 5%, maximum 9¼%. g) Final terms fixed on 9/11/92. h) Coupon pays 40bp above 6-month Libor. i) Coupon pays 10% fixed for first two years and 21% - 2 × 6-month Libor thereafter. j) Coupon payable semi-annually. k) Coupon pays 25bp below 6-month Libor. Minimum coupon 5⅛%, maximum 8¼%. l) Coupon pays 50bp above 6-month Libor. m) Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8½%. n) Final terms fixed on 12/11/92. o) Fungible with $150m of bonds outstanding. Plus 27 days accrued interest. Coupon pays 12.5bp below 3-month Libor. Minimum coupon 5%, maximum 10%. p) Coupon pays 9% fixed for first year and 22.85% - 2 × 6-month Pibor thereafter. q) Issue launched on 27/10/92 was increased to SFr350m. r) Immediately fungible with $200m issue launched on 23/10/92. s) Tranche A. t) Tranche B. u) Part paid issue: 10% due on 18/11/92 with the balance on 17/11/93. v) Coupon pays 3bp over 3-month Libor. w) Fungible with FFr1.5bn issue launched on 20/10/92. Note: Yields calculated on ISMA basis.

WORLD STOCK MARKETS

AUSTRIA

1992 High	Low	November 6	Price Sch
2,890	1,550	Austrian Airlines	1,960
570	354	Creditanstalt Pf	426
3,925	2,300	EA General	3,100
906	651	EVN	766
16,640	9,850	Jungbunzlauer	16,600
1,074	530	OeMV	666
1,650	1,080	Perlmooser Zement	1,090
700	388	Radex Heraklith	388
1,889	970	Reininghaus Brau	984
308	125	Steyr Daimler	183
456	213	Veitscher Magnesit	215
567	398	Verbund (Br) A	402
518	380	Vienna Int Airport	465
4,432	2,541	Wienerberger	3,030w
1,200	942	Z-Laenderbank	1,020

BELGIUM/LUXEMBOURG

1992 High	Low	November 6	Price Frs.
2,250	1,630	AG Group	2,140
3,495	2,355	Ackermans	2,450
6,390	5,320	Almanij	6,100
4,350	1,980	Arbed	2,200
3,535	3,015	BBL	3,425
12,000	11,500	Banq Intl a Lux	11,500
12,500	11,350	Banq Gen Lux Pts	12,500
35,475	27,225	Banque Nat Belg	32,025
13,300	9,100	Bekaert	12,450
8,800	6,510	CBR Ciment	7,800
2,375	1,550	CMB	1,600
5,150	4,080	Cobepa	4,260
178	110	Cockerill Priv	113
5,270	4,015	Colruyt	5,100
1,940	1,400	Delhaize Frs Lion	1,486
5,460	4,500	Electrabel	5,180
5,270	4,400	Electrabel AFV1	5,120
2,930	1,770	Electrafina ACT	2,180
3,590	2,305	GBL	2,660
3,520	2,330	GBL AFV 1	2,600
1,480	1,192	GIB Group	1,374
7,480	5,910	Generale Banque	7,390
7,150	6,050	Gevaert	6,150
4,290	3,100	Glaverbel	3,140
3,375	2,200	Immobel	2,405
5,630	4,500	Kredietbank	5,620

FRANCE (continued)

1992 High	Low	November 6	Price Frs.
282.50	162.50	Carnaudmetalbox	183
2,825	2,005	Carrefour	2,450
187.90	125	Casino	146
1,298	885	Chargeurs	1,241
554	331.10	Club Mediterranee	383.90
380	282	Cogifi	301.50
701	566	Codarex Int	590
207	158.10	C C F	206
1,050	690	Cr Fonc France	897
677	385	Cred Lyon (CI)	398
1,179	820	Credit Nationale	1,078
3,390	2,325	Damart	3,040
458	338	Docks de France	399
382	258	Dollfus Mieg Cie	298
933	710	EBF	785
2,449	1,810	Eaux Cie Genl	2,034
486	302	Ecco	351
403.80	301.50	Elf Aquitaine	363.90
289	208	Elf Aquitaine Certs	256
1,240	943	Elf Sanofi	1,063
696	545	Eridania B-Say	607
530	446	Eridania B-Say CI	489
494.90	300.50	Essilor Int	383
2,175	1,560	Etex	1,635
1,680	961	Eurafrance	1,142
726	430	Euro RSCG	436
165.20	61.20	Euro Disney	80
635	310	Fin Pollet	401
127.80	95	Finextel	100.50
705	481	Fonc Lyonnaise	567
3,470	2,280	From Cel Aux	3,300
448	260	GTM-Entrepose	295
2,225	1,321	Gal. Lafayette	1,750
740	365	Gaumont (Soc N)	370
770	450	Geophysique	599
190	101	Hachette	102
552	355	Havas	434.70
367	233.20	Imetal	300
1,009	676	Imm de France	745
743	532	Immobanque	614
170	93	Immob Phenix	122.90
480	371	Interball	395
920	350	Intertechnique	351
4,814	3,372	LVMH	3,579
394.90	250	Lafarge Coppee	310
1,030	716	L'Oreal	998

GERMANY (continued)

NETHERLANDS (continued)

SWEDEN (continued)

CANADA

TORONTO

4 pm close November 6

SWITZERLAND

NORWAY

SPAIN

ITALY

GERMANY

FRANCE

FINLAND

DENMARK

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

MONTREAL

4 pm close November 6

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Friday, November 6, 1992

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation. Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	115.30	115.30xd	121.90	6.30	47424
Pooled Pension ‡	3½	137.5	142.0	146.9	–	49257
Smaller Cos	5	49.92	51.70xd	54.42	2.76	46283
UK General	5	109.80	111.40	117.30	2.60	–
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	351.01	351.01	372.07	5.34	40913
Global Inc	5	49.97	49.97	52.97	4.99	40916
Brit Leaders	5	298.07	298.07	315.95	3.23	40914
Intl Leaders	5	163.00	163.00	172.78	1.90	40915
[illegible]	3½	47.76	48.54	50.43	4.24	40800
[illegible]	3½	47.76	48.54	50.43	4.24	–
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45.67	45.79xd	48.71	1.83	42492
Far Eastern Tst	6	52.81	53.23	56.62	0.87	–
Smaller Cos	5	109.7	114.0	121.2	2.93	47431
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	251.9	252.4	267.1	0.99	41390
S & W Capital	5	105.9	105.9	113.4	1.95	40181
S & W Cash ‡	0	100.96	100.96xd	100.96	7.97	47903
S & W European	5	104.2	104.4	110.4	1.50	40253
S & W Far Eastern	5	110.5	111.2xd	117.6	0.02	40494
S & W Growth	5	113.8	115.0xd	121.6	1.42	41391
S & W Income	5	97.36	98.69xd	104.4	5.65	41392
S & W Magnum	5	112.3	112.3	120.4	1.90	47880
S & W Smllr Secs	5	244.4	250.0xd	264.5	0.93	41393

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	Yield Gross	City-line
IBI Global Funds Limited				
Intl Stlg Gwth	£20.33	21.41	-	45289
Intl $US Gwth	$17 71	18 65	-	45290
High Income Gilt	£26 07	27 02	-	45291
International Equity	£20 28	21 36	-	45292
International Bond	£22.62	23.45	-	45293
Managed Currency	£27 49	27 78	-	45294
Sterling Currency	£26.28	26 56	-	46030
US$ Currency	$37 69	38 08	-	46031
Irish £ Currency	I£15 02	15 18	-	46029
Target International (Isle of Man) Ltd				
?MG Offshore Fd	£8 98	9 68	-	46450
B F Offshore Inc Fd Ltd	£11 50	12 02	-	46580
... W/W 5/5	£8 90	9 27	-	46581
LFM Sterling Fd	£11 03	11 50	-	44455

JERSEY (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5	I£-	20 8135	20.8446	-	47337
Managed Capital Bd	5	I£-	20 9325	20 9583	-	47754
AIB Greyfund Currency Fund Limited						
Stlg Mngd Currency	5	£-	10 8932		-	44685
Sterling Currency Fd	5	£-	10 4764		-	44683
Ecu Currency	5	Ecu-	10 6773		-	44562
US Dollar Mngd Curr	5	$-	21 4661		-	47336
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£0 860	0 865	0 925	1 0	44738
Global Income (Inc)	5¼	£0.507	0 507	0 542	2.4	44730
Global Resources	5¼	£0 406	0 410	0.439	0 6	44742
Currency Funds						
Stlg Premium Income		£10 17	10 18		8 0	47936
Sterling		£-	23.35		7 7	44718
US Dollar		$-	32 35		1 6	44719
Deutschemark		DM-	60 09		7 6	44720
Yen		Y-	4303		2 7	44721
Managed Multicurrency		£-	15 08	15 62	-	44722

	Bid Price	Offer Price	Yield Gross	City-line
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds... World Inc Port	£2 481	2 606	1 18	-
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 94	9 98	9 41	45030
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 5	$13.31	13 59	2 94	45476
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income Fd	52.8	55 0	8 12	45546
UK Equity Fd (z)	210 5	224 0	2.86	45547
*Intl Bond Fd	99 9	103 0	7 09	45548
*Natural Resources Fd	110 2	117 0	0 43	45549
*Sterling Mngd Asset Fd	535 1	564.0	5 00	47700
*Sub day every Thurs **Sub day monthly 5th and 20th				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$38 0626	-	45650
Sterling Class		£26 7511	-	45551
D-Mark Class		DM82.8709	-	45552
Dutch Guilder Class		Dfl82 4569	-	45553
Japanese Yen Class		Y7941 5198	-	45554
Ashburton Replica Portfolio Ltd				
Ashburton Replica P'folio Ltd £	£11 19	11.65	-	47755
Ashburton Replica P'folio Ltd $	$10 27	10 68	-	47756
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 5	$35 65	37 90	-	45567
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3 6212	3 8483	-	45591
Offshore Japanese Gwth Fd	$0 8996	0 9561	-	47690
Offshore Am Gwth Fd	$6.0201	6 3976	-	45592
Offshore Emerging Cos	$3 4443	3 6603	-	45593
Offshore European Fd	$1 4545	1 5457	-	45594
Offshore Far Estrn Fd	$2 2265	2 3661	-	45595
Offshore UK Growth Fd	$1 7034	1 8103	-	45596
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Oct 30		$4.60	-	47465
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14 42	14 64	1.43	45838
LFM Defensive Strtgy	£11 47	12.09	-	41663
Royal Trust Intl Fd Mngt Ltd				
Sterling Fixed Int Unit	99.70	100 70	7 65	45738
International Bond Unit	$1 125	1 136	5 02	45740
*Prices on Nov 4 Next dealing Nov 11				

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on dollar

DEALERS are certain to focus this week on whether the dollar can continue its rise against the D-Mark and break through the DM1.60 barrier, *writes James Blitz.*

Last week, the dollar's ascent to a high of DM1.5965 confirmed predictions that there would be a gradual rise in the wake of Mr Bill Clinton's election as US President. Some analysts believe that DM1.67 or DM1.70 could be reached before Christmas, but others wonder whether the rise will take place that quickly.

UK clearing bank base lending rate 8 per cent from October 16, 1992

Economic indicators this week will give clues to the scale of the US recovery. The October producer prices figures, due out tomorrow, are expected to show stable inflation. This will encourage the market to invest in the 10 year note auction and 30 year bond auction due tomorrow and Thursday.

According to Mr Mark Brett, investors will be attracted by the high real yields on Treasury bonds, averaging 5 per cent, which is historically high. The dollar/D-Mark rate could get a further boost as investors buy the bonds.

In Europe, attention will focus on the British chancellor's autumn statement, due on Thursday, which is expected to outline the government's economic strategy in more detail. Sterling rallied to a close of DM2.45 against the D-Mark last week, following the government's victory in the vote on European union held in parliament.

Analysts believe there is no likelihood of a cut in official German rates at this Thursday's Bundesbank council meeting. Bundesbank council members have hinted in recent days that an easing of policy is unlikely.

However, the Bank of France could cut its intervention rate for the second time this month when it holds its securities repurchase tenders today and Thursday.

£ IN NEW YORK

Nov.6	Close	Previous Close
£ Spot	1.5285-1.5295	1.5350 1.5360
1 month	0.58-0.56pm	0.61 0.60pm
3 months	1.38-1.35pm	1.41 1.38pm
12 months	3.60-3.50pm	3.75 3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov.6	Previous
8.30	am	78.5	78.8
9.00	am	78.6	78.8
10.00	am	78.6	78.8
11.00	am	78.6	78.6
Noon		78.5	78.5
1.00	pm	78.5	78.5
2.00	pm	78.6	78.4
3.00	pm	78.8	78.4
4.00	pm	78.9	78.4

CURRENCY MOVEMENTS

Nov 6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.9	-31.64
U S Dollar	64.7	-13.40
Canadian Dollar	95.9	-5.98
Austrian Schilling	113.3	+14.92
Belgian Franc	115.1	+1.16
Danish Krone	114.7	+8.13
D-Mark	123.5	+29.85
Swiss Franc	111.5	+20.01
Dutch Guilder	118.3	+19.96
French Franc	108.5	-8.10
Lira	88.8	-27.94
Yen	151.1	+87.96
Peseta	97.9	-25.46

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.5

OTHER CURRENCIES

Nov 6	£	$
Argentina	1.5270 - 1.5300	0.9900 - 0.9910
Australia	2.2010 - 2.2030	1.4365 - 1.4275
Brazil	12813.5 - 12813.9	8304.30 - 8304.50
Finland	7.6865 - 7.7405	4.9800 - 4.9900
Greece	312.000 - 318.250	202.610 - 206.670
Hong Kong	11.9210 - 11.9275	7.7320 - 7.7335
Iran	2250.00*	1450.00*
Korea(Sth)	1191.30 - 1210.50	779.00 - 785.20
Kuwait	0.43200 - 0.43300	0.29800 - 0.29830
Luxembourg	50.20 - 50.30	32.65 - 32.75
Malaysia	3.8805 - 3.8920	2.5160 - 2.5175
Mexico	4812.65 - 4815.75	3116.00 - 3118.00
N.Zealand	2.9135 - 2.9175	1.8865 - 1.8890
Saudi Ar	5.7370 - 5.8135	3.7495 - 3.7505
Singapore	2.5180 - 2.5255	1.6325 - 1.6340
S.Af (Cm)	4.6010 - 4.6135	2.9820 - 2.9840
S.Af (Fn)	7.2335 - 7.2865	4.6835 - 4.7170
Taiwan	39.15 - 39.30	25.35 - 25.45
U.A.E.	5.6175 - 5.6940	3.6715 - 3.6735

*Floating rate. Iran Official rate:£100.75 $65.50

CURRENCY RATES

Nov 6	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.903888	0.807822
U.S Dollar	3.00	1.39018	1.24219
Canadian $	6.18	1.73467	1.55025
Austrian Sch	8.25	15.4685	13.8516
Belgian Franc	7.75	45.1218	40.4953
Danish Krone	9.50	8.41684	7.54629
D-Mark	8.25	2.20149	1.96887
Dutch Guilder	7.75	2.47431	2.21494
French Franc	10½	7.43816	6.65813
Italian Lira	14.00	1881.41	1685.10
Japanese Yen	3.25	170.714	152.752
Norway Krone	-	8.92009	8.00838
Spanish Peseta	-	157.299	140.875
Swedish Krona	50.0	8.24655	7.40220
Swiss Franc	6.00	1.97197	1.76912
Greek Drach	19	N/A	254.971
Irish Punt	-	N/A	0.744971

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov.5

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	101-15	102-17	101-14	103-10
Mar	100-09	101-09	100-09	101-04
Jun	99-01	00-29	99-01	99-28
Sep	97-27	98-20	97-27	98-22
Dec	96-23	97-16	96-23	97-17
Mar	95-21	94-22	94-21	96-14
Jun	94-21	94-22	94-21	95-13
Sep	93-24	93-24	-	94-15
Dec	92-07	97-07	-	93-20

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec	0.8040	0.8145	0.8090	0.8137
Mar	0.8097	0.8131	0.8093	0.8139
Jun	0.8106	-	-	0.8146

DEUTSCHE MARK (IMM) DM125,000 $ per DM

Previous day's open int: Calls 583,051 Puts 612,530 (All currencies)
Previous day's volume: Calls 13,011 Puts 22,486 (All currencies)

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk	8
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	8
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Girobank	8	Roxburghe Bank Ltd.	10
Bank of Ireland	8	● Guinness Mahon	8	Royal Bk of Scotland	8
Bank of India	8	Habib Bank AG Zurich	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	● Hambros Bank	8	Standard Chartered	8
Banque Belge Ltd	8	Hampshire Trust Plc	12.5	TSB	8
Barclays Bank	8	Heritable & Gen Inv Bnk.	8	Unibank plc	8
Brit Bk of Mid East	8	● Hill Samuel	8	● United Bk of Kuwait	8
● Brown Shipley	8	C. Hoare & Co.	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	Hongkong & Shanghai	8	Western Trust	8
Citibank NA	8	Julian Hodge Bank	8	Whiteaway Laidlaw	8
City Merchants Bank	8	● Leopold Joseph & Sons	8	Yorkshire Bank	8
Clydesdale Bank	8	Lloyds Bank	8		
Co-operative Bank	8	Meghraj Bank Ltd	8		
Coutts & Co	8				

● Members of British Merchant Banking & Securities Houses Association.

STOCK INDICES

	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Oct 30	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2702.7	2711.1	2691.7	2705.6	2687.8	2658.3	2737.8	2281.0	2737.8	986.9
FT-SE Mid 250	2579.0	2572.2	2560.7	2558.8	2541.9	2521.6	2825.8	2157.8	2825.8	1379.4
FT-SE-A 350	1304.4	1307.0	1298.3	1303.5	1294.9	1281.5	1342.7	1103.1	1342.7	664.5
FT-A All-Share	1279.06	1281.42	1272.93	1277.83	1269.55	1256.67	1326.38	1066.13	1326.38	61.92
FT-SE Eurotrack 100	1038.28	1038.93	1037.08	1038.76	1032.82	1028.47	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1111.70	1109.13	1105.82	1105.49	1095.06	1090.07	1248.79	1010.09	1248.79	936.62
FT Ordinary	2005.4	2009.2	1999.7	2007.2	1996.1	1963.8	2149.7	1670.0	2149.7	49.4
FT Government Secs.	95.01	94.59	93.86	94.00	93.76	94.44	95.01	85.11	127.40	49.18
FT Fixed Interest	109.14	108.66	107.86	107.73	107.91	108.59	109.14	97.15	109.14	50.53
FT Gold Mines	71.1	69.5	70.1	72.3	73.2	73.2	160.6	65.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	Fri Nov 6 1992: US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	Thu Nov 5 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1992 High	1992 Low	Year ago (approx)
Australia (68)	116.19	-23.0	112.07	90.37	96.29	110.27	-16.5	4.42	116.38	112.19	90.23	95.51	111.06	153.68	113.59	160.31
Austria (19)	141.47	-15.0	136.46	110.04	117.24	116.61	-11.1	2.42	142.87	137.72	110.77	117.25	117.52	186.70	139.27	166.55
Belgium (42)	134.41	-6.9	129.65	104.54	111.38	108.39	-2.6	5.88	136.15	131.25	105.55	111.73	109.12	152.27	134.41	132.92
Canada (114)	117.07	-14.1	112.93	91.06	97.01	108.14	-7.0	3.28	118.50	114.23	91.86	97.24	107.08	142.12	112.97	143.03
Denmark (33)	184.18	-31.1	177.66	143.26	152.63	152.99	-28.7	1.79	185.06	178.40	143.46	151.87	152.53	273.94	184.18	261.47
Finland (15)	69.59	-10.8	67.12	54.13	57.67	72.80	+7.5	1.94	71.50	68.92	55.43	58.67	74.65	89.80	52.84	88.30
France (100)	146.36	-2.7	141.18	113.83	121.28	123.74	+1.2	3.65	148.52	143.17	115.14	121.87	124.41	168.75	144.70	145.04
Germany (64)	102.51	-12.6	98.88	79.75	84.95	84.95	-8.2	2.71	103.07	99.35	79.92	84.58	84.58	129.69	102.51	111.29
Hong Kong (53)	256.90	+45.7	247.81	199.82	212.91	255.05	+44.8	3.53	258.87	249.55	200.70	212.45	256.94	281.48	176.36	174.78
Ireland (16)	126.69	-24.5	122.20	98.54	104.99	107.28	-20.7	5.06	127.41	122.82	98.78	104.56	107.21	173.71	126.69	159.36
Italy (77)	56.18	-25.5	54.19	43.69	46.55	57.18	-11.6	3.63	56.21	54.18	43.58	46.13	56.64	80.86	47.47	69.30
Japan (472)	103.74	-23.6	100.07	80.69	85.99	80.69	-24.8	1.05	105.12	101.34	81.50	86.28	81.50	140.95	87.27	139.71
Malaysia (69)	282.21	+31.8	272.22	219.50	233.86	273.54	+21.9	2.40	281.70	271.55	218.39	231.17	273.02	282.21	212.49	204.63
Mexico (18)	1466.50	+5.4	1414.58	1140.67	1215.31	4987.77	+8.0	1.20	1439.94	1388.06	1116.37	1181.70	4921.43	1789.77	1185.84	1315.01
Netherland (25)	149.82	-1.9	144.51	116.53	124.16	122.64	+3.0	4.62	150.93	145.49	117.01	123.86	122.31	169.70	147.88	146.27
New Zealand (14)	39.01	-17.0	37.63	30.34	32.33	39.10	-15.3	5.79	38.24	36.86	29.65	31.38	38.63	48.62	37.39	49.57
Norway (22)	133.27	-25.5	128.55	103.66	110.45	116.95	-19.2	2.07	133.13	128.33	103.22	109.26	116.01	192.95	133.13	189.70
Singapore (38)	197.12	-10.3	190.14	153.32	163.35	146.38	-9.5	2.22	197.32	190.21	152.98	161.93	148.17	229.63	179.65	210.95
South Africa (60)	141.81	-43.0	136.79	110.30	117.52	145.68	-15.8	3.51	139.37	134.34	108.05	114.37	145.58	263.60	139.37	263.05
Spain (48)	107.24	-31.4	103.44	83.41	88.87	92.53	-19.2	6.47	108.44	104.53	84.07	88.99	92.87	161.72	107.24	152.62
Sweden (31)	155.91	-13.9	150.39	121.27	129.21	137.73	-7.3	2.85	156.10	150.47	121.02	128.11	137.21	200.28	149.69	182.85
Switzerland (60)	108.06	+7.7	104.24	84.06	89.57	95.90	+13.8	2.23	108.97	105.05	84.49	89.44	95.63	122.37	95.99	97.89
United Kingdom (228)	164.87	-11.0	159.03	128.23	136.62	159.03	+8.3	4.62	165.47	159.51	128.27	135.78	159.51	200.07	163.34	181.53
USA (522)	170.74	+0.5	164.69	132.81	141.50	170.74	+0.5	2.97	170.98	164.82	132.56	140.32	170.98	173.39	160.92	159.71
Europe (780)	132.03	-10.6	127.36	102.70	109.42	118.30	+0.7	3.98	132.87	128.09	103.02	109.05	118.39	156.88	132.03	142.86
Nordic (101)	142.15	-22.8	137.12	110.57	117.80	118.59	-17.6	2.46	142.52	137.38	110.49	116.96	118.19	188.52	141.24	184.46
Pacific Basin (714)	109.07	-20.5	105.21	84.84	90.39	86.61	-21.2	1.40	110.37	106.39	85.57	90.58	87.42	141.97	93.70	140.89
Euro - Pacific (1494)	118.36	-16.5	114.17	92.06	98.08	99.37	-12.6	2.56	119.47	115.17	92.62	98.04	99.91	145.21	113.60	142.02
North America (636)	167.40	-0.2	161.47	130.22	138.75	166.34	+0.2	2.99	167.71	161.67	130.04	137.66	166.63	170.49	158.70	158.59
Europe Ex. UK (552)	112.24	-10.3	108.27	87.32	93.04	98.18	-4.4	3.51	113.19	109.11	87.77	92.91	98.10	132.98	112.24	119.91
Pacific Ex. Japan (242)	161.41	+7.8	155.70	125.57	133.78	147.52	+9.6	3.61	161.88	156.05	125.52	132.86	148.20	175.31	149.00	152.50
World Ex. US (1686)	119.38	-16.8	115.15	92.86	98.94	101.31	-12.2	2.58	120.43	116.10	93.38	98.84	101.84	146.91	116.18	144.06
World Ex. UK (1980)	133.00	-10.1	128.30	103.46	110.23	119.06	-8.9	2.53	133.80	128.97	103.74	109.81	119.50	150.58	127.21	145.08
World Ex. So. Af. (2148)	135.85	-9.8	131.04	105.67	112.59	122.34	-7.3	2.74	136.65	131.72	105.95	112.15	122.79	153.05	130.04	147.50
World Ex. Japan (1736)	153.97	-4.3	148.52	119.77	127.62	146.97	+0.5	3.34	154.44	148.88	119.75	126.76	147.18	165.40	151.93	154.20
The World Index (2208)	135.77	-10.2	130.97	105.61	112.53	122.60	-7.3	2.75	136.55	131.63	105.87	112.07	123.04	153.70	130.66	148.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent change with effect 9/11/92: Deletion: Bank of New Zealand (New Zealand). Amendments to indices for November 5 applied to Hong Kong, related regional indices and The World Index. Constituent change during the week ending 6/11/92: Deletion: Printemps (Au) (France).

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	b	10½ xd	−1.0	90c	FeMyAuNv	9.10	1503
Allegheny & W		454p	1.6	38c	–	–	–
Amdahl		668p	9.9	10c	NvMrJeAu	31.1	–
Amer Cyanamid		37⅝	3.8	$1.65	MrJeSeDe	4.8	–
Amer Express		13⅞ xd	1.2	$1.00	FeMyAuNv	28.9	1594
Amer T & T		28⅞ xd	3.3	$1.32	FeMyAuNv	28.9	1597
Ameritech		42⅝	−.6	$3.52	FeMyAuNv	28.3	–
BankAmerica		27⅞ xd	2.5	$1.30	FeJeSeDe	19.8	1744
Bankers NY		42⅛ xd	3.7	$2.80	ApJyOcJa	24.9	1745
Bell Atlantic		30	−.8	$2.60	FeMyAuNv	4.7	–
BellSouth		32⅛	−2.3	$2.76	FeMyAuNv	9.4	–
Bethlehem Steel		8¼ xd	6.1	–	MrJeSeDe	8.2	1821
Bowater		1350p xd	1.3	$1.20	OcJaApJy	9.3	1884
CPC	h	31⅞ xd	0.6	$1.28	JaApJyOc	28.9	2263
Cadiz Land Inc		129p	19.4	–	–	–	–
California Engy		824p	10.8	–	–	–	–
Chase Manhattan		16⅝ xd	0.4	$1.20	FeMyAuNv	26.10	2109
Chrysler		17⅜ xd	0.4	60c	ApJyOcDe	9.9	2135
Citicorp		10⅞ xd	1.7	–	–	23.10	2141
Colgate-Palm		36⅞ xd	−3.6	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1179p	6.3	60c	DeMrJeSe	31.5	–
Dana		29 xd	2.8	$1.60	MrJeSeDe	27.8	2306
Data General		667p	−3.9	–	–	–	–
Decora Inds		149p	43.1	–	–	–	–
Dun & Brad		37⅝	1.7	$2.28	MrJeSeDe	18.2	–
Eaton		47⅝	2.7	$2.20	FeMyAuNv	2.2	2410
Echlin		12⅞ xd	1.5	76c	JaApJyOc	30.9	3046
FPL		23¼ xd	−1.1	$2.44	MrJeSeDe	25.8	–
Fluor		29⅛ xd	4.2	40c	JaApJyOc	24.9	2609
Ford Motor		25¼ xd	5.8	$1.60	MrJeSeDe	27.10	2615

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scottish Inv	$†	189	2.3	4.4	Feb Jul	467.7	1.6	3953
Warrants		39½	5.2	—	—	15.5	—	[illegible]
Scot Mortgage	$†	178xd	1.5	3.9	Jul Dec	873.2	2.11	[illegible]
Scot National Inc	♣	79	-0.1	6.65	ApJyOcJa	128.1	24.8	3961
Cap		19	—	—	—	12.1	—	[illegible]
Stepped Pf		184¼	-.3	6.08	Sep Mar	49.3	7.9	3962
Zero Div Pf		197	0.3	—	—	125.8	—	3964
Warrants		5	-0.1	—	—	0.84	—	3963
Scot Value	fn	64	3.2	1.8	Jan Oct	48.5	7.9	2786
Sec Alliance	♣	1900	1.9	35.5	Apr Oct	281.3	21.9	3974
Second Market	$	255	—	1.6	May	255.4	6.4	3976
Sec Tst Scot	♣	76xd	2.2	3.25	Jul Dec	224.2	2.11	3977

MEDIA - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
Trinity Intl	†g	295	-7	8.4	1.8	Oct Apr	21.9	[illegible]
Ulster TV	†	264	—	7.5	1.9	Nov Jul	19.10	[illegible]
Utd News		454	1.5	21.0	1.3	Nov Jun	5.10	[illegible]
VTR		43	-2.3	3.4	1.2	May Dec	27.4	[illegible]
WPP		41	-4.7	—	—	—	6.8	4544
Warrants		5	—	—	—	—	—	[illegible]
Watmoughs	†	408	1.1	18.5	2.0	Nov May	21.9	4442
Yorkshire Tyne-T		126	-0.1	12.0	2.3	Mar Jul	1.6	4582
Warrants		10	—	—	—	—	—	—

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

rate, cover based on previous year's earnings. v Not subject to ACT. dividend, cover based on latest annual earnings. Ⅲ Dividend based on prospectus or other xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.0	19	121	12⅛	12	12⅛	+⅛
27½	18	A L Labs A	0.18	0.7	96	113	27⅛	26⅞	27	-¼
68¾	52⅞	AMP Inc x	1.52	2.4	24	1050	64⅞	64⅛	64⅜	-½
80¼	54⅜	AMR			13	3580	66⅝	65⅛	65¼	+⅛
2⅞	1⅞	ARX			14	114	2⅛	2⅛	2⅛	
53½	30¾	ASA	2.00	6.0	22	262	34	33¼	33⅞	-½
34¼	26⅛	Abbott Lab	0.60	2.2	19	8573	28⅛	27¾	27⅞	-⅛
13⅞	10⅝	Abitibi Pr	0.42	3.8	5	4	11⅛	11⅛	11⅛	
11⅝	10⅛	ACM Gvt In x	1.01	9.2		240	11⅛	10⅞	11	+⅛
10⅜	9⅛	ACM GvOpp x	0.87	9.3		118	9½	9⅜	9⅜	+⅛
9¾	8½	ACM Gvt Sp x	0.79	8.9		248	8⅞	8¾	8⅞	+⅛
11⅛	10⅛	ACM Gvt Se x	0.96	9.0		296	10¾	10⅝	10⅝	-⅛
10⅜	8⅝	ACM Man x	1.00	10.3		166	9⅞	9¾	9¾	+⅞
12⅞	9⅛	ACM Managd x	1.09	11.5		206	9⅞	9½	9½	+⅛
11¾	4¾	Acme Clve x	0.40	5.3	14	52	7½	7½	7½	
6¼	3¼	Acme Elect			36	113	4¾	4¼	4¾	+⅛
33¼	14½	Acuson			13	1551	17	16⅝	17	+⅜
20	16⅛	Adams Expr	0.48	2.4	1	116	u20¼	19⅞	20⅛	+⅛
49¼	29½	Ad Micro	3.00	7.1		85	42¼	42	42⅛	+⅛
21½	7½	Ad Micro P	3.00	18.5		52418	16¼	16⅛	16¼	-⅛
9⅛	4⅞	Advest Grp	0.16	2.8	11	36	5¾	5¾	5¾	
42¾	33	Aegon ADR	1.35	3.3	7	z100	41¼	41¼	41⅜	
47	38	Aetna Lf	2.76	6.6	12	523	42⅜	41⅞	42⅜	-⅛
12¾	8⅛	Affil A x	0.24	2.2	14	330	11	10⅞	10⅞	+¼
34	24	Aflac x	0.44	1.5	13	1056	30⅛	29⅝	29⅞	+1/16
19⅜	13	Ahmanson x	0.88	6.0	71	312	14⅞	14¾	14¾	+⅛
22½	4	Aileen Inc			9	637	5¾	5⅜	5½	
49½	36½	Air Pr Chm	0.86	1.8	19	890	48½	48⅛	48½	+½
29¾	12½	Airbne Frt x	0.30	1.5	107	1154	19¾	19¾	19⅞	-¼
35¼	22⅝	Airgas Inc			27	60	u35⅞	35¼	35⅞	+⅝
12⅞	8⅛	Airlease x	1.68	15.3	8	31	11	10⅞	11	+⅛
104	98½	AlaPw8 16	8.16	8.0		5	101	101	101½	
105	100¼	Alab 8.28C	8.28	8.1		z100	103½	103½	102	-1½
11¼	10½	AlaPwDpPf	0.87	8.1		97	10⅞	10¾	10¾	-⅛
29⅞	14¾	Alaska Air	0.20	1.2	5	356	17½	17⅛	17¼	
21¼	11¼	Albany Int	0.35	2.4	60	146	14¾	14¼	14½	+¼
32	21⅛	AlCulvr B x	0.24	1.0	17	98	23⅞	23⅝	23⅝	
25¾	19⅝	AlCulvr A x	0.24	1.1	19	48	22	21¾	22	-¼
47½	36¾	Albertsons x	0.64	1.4	26	1677	46	45½	45½	-⅛
22¼	15¼	Alcan Alum	0.30	1.8	36	635	16⅞	16¾	16¾	-⅛
42⅝	33⅛	Alco Stand	0.92	2.7	15	1783	33¾	33⅝	33⅝	-⅛
23⅛	14⅞	AlexBrown	0.50	2.6	5	396	19⅛	18½	19⅛	-⅛
27⅞	18	Alexr Alex	1.00	3.8	94	284	26⅝	26¼	26⅜	+¼
36⅝	27½	Allegh Lud	0.88	2.9	18	167	30⅞	30½	30⅞	+⅛
48⅝	41½	Allegh Pow	3.20	6.9	12	395	46½	46¼	46½	+⅛
31	22⅞	Allen Gp	1.75	6.1		11	28½	28¼	28½	+¼
30	18⅞	Allen Con	0.20	0.9	14	217	24⅛	23¼	23¼	-¾
27¼	20⅜	Allergan	0.40	1.7	16	2095	24¼	22¾	23⅞	+1⅛
39⅛	28⅞	Allnce Cap x	2.40	7.4	12	378	33	32¼	32⅜	+⅜
12½	9¼	Allnce Gl	0.18	1.9		34	9½	9½	9½	
21¼	16¾	Ald Irish	0.82	4.2	12	z100	19½	19½	19½	
61¼	40⅞	Alld Sig	1.00	1.7	15	1929	57¾	56⅞	57½	+⅝
11⅜	9⅞	AlstMunTr x	0.78	7.8		242	10⅛	10	10	-⅛
9⅞	7⅜	AlstIncOp x	0.63	8.3		474	7¾	d7⅜	7⅝	-⅛
10½	8⅛	AlstMnInc x	0.72	8.6		186	8½	8¼	8⅜	
10⅛	9	AlstMnInc x	0.60	6.6		59	9⅛	d9	9⅛	
46¾	34¾	Alltel Crp	1.60	3.5	19	511	46⅜	46⅛	46⅛	-⅝
8⅜	5	Allwaste			18	2266	6⅛	5⅞	6	+⅛
80⅜	61	Alcoa x	1.60	2.3	160	2176	69¼	68½	68⅞	
55⅛	33½	Alza Cp A			64	2075	37⅞	36¾	37⅛	-¼
11½	10¼	AmGovInc x	1.02	9.4		150	10⅞	10⅝	10⅞	+¼
8½	6½	Am Precis x	0.22	2.9	17	122	7½	7½	7½	
23⅛	15	Amax x	0.80	4.7	24	1220	17⅛	17	17	
12½	8½	Amax Gold x	0.08	0.9	39	75	9¼	8⅞	9	-0.17
[illegible]	[illegible]	Ambase Cp			0	397	[illegible]	[illegible]	[illegible]	[illegible]
25	11⅝	Amcast Ind	0.48	3.2	9	239	15	14¾	15	+⅛
51¼	36⅝	Amerada Hs	0.60	1.3	60	2167	46¼	45⅞	46	-⅞

Continued on next page

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هكذا صح الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38¼	26¾	Salomonlnc x	0.64	1.8	13	2420	36⅞	35¼	35¾	+⅛
26	21¼	SanDgo G&E	1.44	6.1	14	226	23¾	23½	23¾	
4⅞	2⅞	SantaFeEn x	0.40	10.3	64	142	4	3⅞	3⅞	-⅛
9⅞	7	SantaFeRs x	0.16	1.9	850	314	8¾	8½	8½	-⅛
39⅜	30⅛	SantaFePac	2.80	7.4	13	54	37⅞	37½	37⅝	
14⅞	10⅝	SantaFeSth	0.10	0.8	32	1905	12⅞	12¾	12⅞	
60⅛	46⅝	Sara Lee	1.16	2.0	22	1157	58⅞	58½	58⅝	-¼
9½	1¼	Savin			0	4	1⅝	1½	1½	
44¼	38⅝	Scana Corp	2.68	6.6	13	626	41¼	40¾	40¾	-½
47⅝	40¼	Scecorp	2.80	6.4	13	882	43¾	43½	43⅝	-⅛
68	49⅞	ScheringPl x	1.58	2.6	17	4116	61½	60¼	61⅞	+⅛
70⅞	62¼	Sch'berger	1.20	1.9	19	6223	62¼	61½	62	
37¾	16⅞	Schwab(C)	0.24	1.0	12	1685	23	22⅝	23	+⅛
10⅛	4½	Schwitzer			56	11	6⅛	6¼	6¼	-⅛
31	16¼	ScientAtln	0.16	0.6	34	812	30¾	30⅜	30⅝	
10⅝	7⅛	Scotman x	0.10	1.1	77	45	9⅜	9¼	9¼	-⅛
48	34½	ScottPaper	0.80	2.1	78	713	38½	38	38⅜	
17½	13½	ScuddrNAsF	0.22	1.5		50	15	14⅝	14¾	
9¾	8¼	ScuddrNEuF	0.30	3.6		86	8⅜	d8¼	8⅜	
24	13	Sea Contrs x	0.45	3.2	8	4	13¾	13¾	13⅞	
15¼	14⅞	SeaC1.4625	1.46	9.6		z100	15⅜	15⅜	15⅛	
31	25¼	Seagram Co	0.56	2.1	14	1366	27⅛	26⅞	27	-½
32	21⅞	Seagull En			81	217	30⅜	30⅛	30¼	-⅛
28½	20½	Sealed Air			22	6	23⅛	22⅞	23	-⅛
23	12⅛	SPX Corp	0.40	2.0	16	86	20⅛	19¾	19⅞	
48	37	Sears Roeb	2.00	4.7	37	1238	43⅛	42¼	42¾	+⅛
13¼	11⅞	Seligm Sel	0.84	6.9		279	12¼	12⅛	12⅛	

1992 High	Low	Stock	Div.	Yld. %
10⅛	8⅝	TemplGlob x	0.83	9.8
9¾	8½	TemplGlFd x	0.84	9.5
48	31¼	Tenneco Inc	1.60	4.6
23⅞	19½	Teppco Pts	2.20	10.2
20⅝	10	Teradyne		
18½	6⅝	Terex	0.06	0.8
5¾	4½	Terra Inds		
6⅝	2½	Tesoro Pet		
68⅞	56¼	Texaco	3.20	5.4
54½	52	Texaco C	3.75	7.1
25¼	19¼	Texas Ind	0.20	0.9
51¼	30	Texas Inst	0.72	1.4
23¼	17	Texas Pac	0.40	2.3
43¾	37	Texas Util	3.04	7.4
10¾	9⅝	Tex8 Pf	1.10	10.5
9¼	4⅞	Tex8 Inds	1.10	15.7
39⅞	33⅝	Textron	1.12	2.9
8⅛	4⅛	Thackeray		
11½	7½	Thai Cap	0.25	2.2
19¾	13⅛	Thai Fund	2.72	13.9
47½	37½	ThermoElec	0.13	0.3
17¾	13¾	Thiokol	0.40	2.4
69	54¼	Thomas & B	2.24	3.4
14⅛	8⅜	Thomas Ind	0.40	4.7
19½	13	Thomson Ad	1.26	7.8
21	11⅞	Tidewater	0.16	0.8
52⅞	23	Tiffany x	0.28	1.0

[illegible]

Price data supplied by Telekurs.

AMEX COMPOSITE PRICES

4 pm close November 6

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 6

[illegible]

MONDAY INTERVIEW

Charity's her middle name

Julia Cleverdon, chief executive of Business in the Community, talks to **Michael Cassell**

'It is not a matter of throwing money around'

"Any executive who thinks that signing up for Business in the Community just means cucumber sandwiches on the lawn at Highgrove House is in for a nasty shock," warns Julia Cleverdon.

The chief executive of Bitc, the organisation formed 10 years ago to convince companies that broader community responsibilities go hand in hand with making an honest buck, knows that having the Prince of Wales for a president can attract the wrong sort of people.

"He is well aware that he is a bit like a fish hook, intended to catch businessmen. But once they find themselves marching behind him around a council estate, the glamour quickly wears off. We make them work hard."

So any companies preparing to enact an elaborate charade as public benefactor in the hope of effortlessly winning princely plaudits can, says Cleverdon, forget it.

The executives wading through muddy construction sites or visiting inmates at Pentonville prison are all participating in Seeing is Believing, the latest Bitc programme intended to show industry leaders first-hand what they can do for their community.

A decade ago, when Bitc was established after the inner-city riots in Toxteth and Brixton, the hands-on involvement of companies in regenerating the communities they served commercially was still seen primarily as a philanthropic gesture.

The Bitc mission to help what the Prince has described as Britain's "bruised communities" is based on working partnerships with national and local government, voluntary organisations, schools and colleges.

According to Cleverdon: "The more enlightened companies would let the chairman's wife decide where to direct whatever limited funds were available. Now employees at every level are getting involved. Many companies see it as a sort of corporate glue to bind together their employees."

The woman whose middle name, literally, is Charity, dismisses any suggestion that Bitc might be viewed by sceptics as little more than a bunch of well-meaning "do-gooders".

"The generation of executives who started the process of active community involvement are now coasting into gold-plated retirement. Their successors are leading a revolution in attitudes which sees the issue in terms of a real business benefit."

Bitc believes that, increasingly, employees expect their companies to demonstrate broader responsibilities: "Graduate entrants are concerned about corporate ethics and want to know what a business actually does for its community. Enough companies have got the message to convince me that we are on an unstoppable train."

The theory championed by the Prince of Wales, by Cleverdon and by the band of 400 top-ranking executives who help carry the banner, is that companies which care about their community will ultimately prosper in it. In Cleverdon's words: "Make profits on six days and reinvest some of them in your community on the seventh. If your customers think well of you, you will be rewarded."

Companies can give hard cash, equipment, staff or professional experience to help a range of initiatives targeted on local economic development, the environment and education.

Some contribute at least a half per cent of pre-tax profits or one per cent of dividends to community-based projects. But Bitc's emphasis is as much on muscle-power as money.

"We expect performance from those who pledge help but it is not a matter of just throwing money around. It is cost-effective action we want", Cleverdon says.

Hotel groups have given blankets to hostels for the homeless, derelict community centres have been rebuilt, and schools and colleges receive equipment and advice from future employers.

The pressures of recession have recently caused a few departures by companies with more pressing priorities, such as Jaguar and Rosehaugh, the property group. But overall, participation has increased this year. "We expected more casualties but companies clearly believe our message remains relevant, whatever their short-term prospects," says Cleverdon.

Excited by the challenge of a good campaign and fascinated by what makes business tick, she is now battling to ensure that Bitc is not cast as an exclusive club for the business top brass who started it.

"It is not just for blue-chip companies with millions at their behest. We have a small Lincolnshire builder, for example, who got a good name locally by agreeing to provide affordable housing for first-time buyers. As a direct result, he's won more work."

While Bitc tries to encourage more small and medium-sized companies to join in, it is simultaneously trying to extend its influence in larger companies by getting more middle-managers involved.

"You can get all sorts of things done at the bottom and at the top. The challenge is galvanising the marsh-mallow layer of middle management; if you fail to achieve change in the middle, everything else is a lot of froth."

PERSONAL PROFILE

1950 Born London. Educated Camden School for Girls, Newnham College, Cambridge.
1972 British Leyland, industrial relations dept.
1973 The Industrial Society. Responsible for communications and publicity and campaigns. Secondment to Anglo-American Mining Corporation, South Africa.
1988 Business in the Community. Recruited to develop education programme. Became managing director, development.
1992 Bitc chief executive.

Born 42 years ago into the arty, London home of a BBC Radio third programme producer – "Dad encouraging Dylan Thomas to write Under Milk Wood, that sort of thing" – Cleverdon's view on the key to effective management was formed early. As a Cambridge history graduate who envisaged a career in compassion, she ended up at British Leyland's Swindon assembly plant in the industrial relations department.

"There were 25,000 people on one site, 42 trade unions and absolutely no communication between men and management," she recalls. "I sympathised with the shop stewards."

She suggested to one lugubrious boss that some of the men could be taken to the London motor show to see the company's new models. She was told to stop trying to change things.

Cleverdon changed her job instead, moving to the Industrial Society in 1973 with the encouragement of John Garnett, its director and her future husband. The marriage made her stepmother to Virginia Bottomley, the health secretary.

She arrived at Bitc in 1988 to mastermind the organisation's efforts to improve links between industry and education. Two years later she became responsible for a clutch of campaigns designed to give Bitc fresh direction and momentum. Last year, Cleverdon became chief executive.

The organisation she now runs will be increasingly happy to take a back seat and let companies do most of the running. "It is not our profile which will need raising but that of the companies who do the work and who can encourage others to follow," Cleverdon says.

"The real answer to success now lies in the amount of muscle which companies employ in improving the level of business involvement in their communities. The work does not necessarily have to be done by us. We may be the catalyst but we want people, talent and resources increasingly injected directly into the community," she says.

Despite Bitc's success in spreading the gospel, Cleverdon says that British business still has some way to go to emulate the enthusiasm and level of community involvement by US companies.

"American business thinks it is fun to be involved and the spirit is infectious. Here, secondees from companies working in schools are called 'AOTs' – adults other than teachers. In the US they are called business partners and wear little pins to prove it." Britain is, however, being asked to advise EC officials on what member states can learn from its experiences.

Bitc is also noisily banging the "equal opportunities for women" drum, with some success. Though the Opportunity 2000 campaign, aimed at improving the position of women in the workforce, was the fruit of the organisation's own hard work, it has been publicly hijacked by Mr John Major's government. Next week will see the results of its first year's efforts.

Cleverdon brushes off the government's decision to muscle in and prefers to look ahead: "We struck a nerve in the 1980s which will be increasingly relevant in the 1990s. If the nanny state continues to be rolled back, there is a big role to play for an organisation which can help business and community think as one."

Fresh focus at the White House

MICHAEL PROWSE on AMERICA

The first report a US president gets each morning is prepared by the Central Intelligence Agency and tells him about potential trouble spots overseas. This tradition is part of a web of institutional arrangements that focus a president's attention on foreign policy and defence rather than the economy or domestic issues. Mr Bill Clinton says his presidency will be different. He intends to "focus like a laser beam on the economy" and has told his transition team to concentrate initially on economic appointments, such as secretary of the Treasury, rather than secretary of state.

Politicians of President George Bush's generation were young adults during the 1950s when the US enjoyed an overwhelming economic advantage. Confronted by a hostile Soviet Union, they naturally took the economy for granted and focused on diplomatic and military challenges.

The world looks different to a baby-boomer such as Mr Clinton. In the two decades since he left Yale, the US has lurched from one economic crisis to another: productivity growth has slumped, imports have soared and the living standards of many families have stagnated. After the cold war it makes sense for him to focus on economic renewal. Without faster growth, he can neither make good his social promises nor, ultimately, preserve the US's status as the world's sole superpower.

Yet Mr Clinton's hopes of focusing on economic and social challenges could be dashed once he reaches the Oval Office. Even if he is spared a foreign policy crisis in the first months of his presidency, there are enough simmering kettles – from the Middle East to the Balkans and the former Soviet republics – to occupy him 24 hours a day.

To keep economics to the fore, Mr Clinton's advisers are planning to create an economic security council headed by a economic security adviser, that would play an economic role somewhat analogous to that of the National Security Council and national security adviser.

The hope is that a high-powered economic council would devise a strategy for US economic renewal in the post-cold war world rather as the NSC developed the "containment of communism" defence strategy in the late 1940s. Just as General Brent Scowcroft, the current national security adviser, hovers at Mr Bush's elbow, so an economic security adviser would stick like glue to President Clinton, ensuring that he always took the economic effects of decisions into account.

To replace experts on arms control by experts on trade and financial markets has a certain appeal given that the main threat to American hegemony is now economic weakness. The objection to a new advisory body, however, is that there are already too many centres of economic power, including the Treasury secretary, the budget director and the chairman of the Council of Economic Advisers. Conceivably one of these could play the hands-on advisory role of an economic Scowcroft; alternatively, the president could redefine the role of existing agencies such as the NSC and insist that candidates for top foreign policy posts have economic expertise.

If Senator Bill Bradley of New Jersey, say, were to become Secretary of State and an economist were appointed in place of Gen Scowcroft, the Clinton administration might not need an a new advisory body. On the other hand, the difficulty of co-ordinating advice from different economic agencies – which frequently disagree on policy matters – would remain. All the relevant cabinet officers, including the commerce and labour secretaries and perhaps a new industrial policy czar could have seats on an economic security council and thus help formulate long-term strategies.

Some analogies between foreign and economic policy, however, are false. A president can order swift action to counter a military threat; he cannot exert the same rapid leverage over the economy. (The only individual with real executive power over the economy is the Federal Reserve chairman and he must consult fellow governors and regional Fed presidents before acting.)

On economics, the challenge Mr Clinton faces is less in restructuring White House institutions than in changing attitudes – in convincing both the public and Congress that "quick fixes" do not work. After labouring for a decade to promote growth in Arkansas, Mr Clinton must know that a quick fiscal stimulus next year will not solve US problems. As president, his main long-run challenges are to raise the secular national savings and investment rate, reform the healthcare system and improve the quality of education and training.

Raising the savings and investment rate will require more than an investment tax credit. Much tougher budgetary controls, perhaps including the explicit means-testing of popular entitlement programmes, such as pensions, as well as controversial tax reforms to deter consumption will be essential. If Mr Clinton is to fulfil pledges on infrastructure, education and healthcare he may even need a new source of revenue such as a national value added tax. This economic campaign will be at least as tough as the fight against communism; it will require consummate negotiating skill, congressional co-operation and sustained effort over years, if not decades.

Maastricht minimalism

IAN DAVIDSON on EUROPE

When the British government first announced that there would be a "paving debate" on the Maastricht treaty, we were told that this was an essential way of regaining momentum, and rebuilding government authority. A case, you might say, of *reculer pour mieux sauter*.

Now that the debate has taken place, all those original doubts have been reinforced. Once more the target date for final ratification has been postponed; by now it is clear that all target dates are largely fictitious; once more the government is using the Danes as an excuse for running away from the treaty. A case, you might say, of *reculer pour mieux reculer*.

Retreat need not in itself mean defeat; for there is a large potential majority in the House of Commons in favour of Maastricht. Yet after the latest cave-in to the anti-European rebels, can John Major really be expected to get to the end of the ratification process without sounding more convinced of the intrinsic merits of the treaty?

Mr Major has repeatedly said that he wants Britain to be "at the heart of Europe". But as time passes, it seems clear that his only real reason for wanting to be inside the Community, is that he does not want to be outside. His public utterances do not suggest any single positive reason for wanting the treaty to come into force.

Some will discount the government's apologetic defence of Maastricht as a cynical device to avoid provoking the Euro-sceptics. The sad fact is that the British government did not want this treaty when it was first mooted four years ago, and it does not want it now.

The consistency of the government's Maastricht minimalism is confirmed in a recent article by Philippe de Schoutheete, Belgian ambassador to the Community and one of the central negotiators of the treaty. Different member states, he points out, had different objectives: France and Germany were keen on foreign policy, Denmark on the environment, Italy and Belgium on majority voting, and so on.

"But a very important fact must not be overlooked: one major player was keen on nothing! Britain had gone along reluctantly with the preliminary studies on economic and monetary union, and its reluctance had increased with time... The outcome of the negotiation cannot be understood if one forgets that one of the main partners did not, in fact, desire any specific result either on the economic and monetary side or on the political."

No doubt Mr Major is not as hostile to the treaty as Mrs Margaret Thatcher would have been. But there is no trace in his public discourse since becoming prime minister of any positive endorsement of any aspect of the treaty.

The first problem with this minimalist stance is that it leads inevitably to crude misrepresentation. The government periodically claims that the Maastricht treaty will make the Community less federal or less supra-national than it would otherwise be. Yet everyone knows that the new objectives laid down by the treaty include a single currency, stronger collective discipline on economic and monetary policies, closer co-operation on immigration and law and order, and the development of a common foreign and security policy, leading perhaps in time to a common defence policy. It is surely odd to deny what anyone can easily find in the treaty. Success in politics may not depend on telling the truth; but it must be reckless to engage in self-evident mendacity.

The second problem, potentially more serious, is that minimalism may become a self-fulfilling prophecy. Last December Mr Major demanded and got an opt-out from the single currency, as well as an opt-out from the social chapter. In fact, if a single currency were to be created without British participation, he would regard it as a national disaster; but if he is not careful he may yet succeed in manoeuvring Britain into a generalised opt-out from the mainstream of the Community.

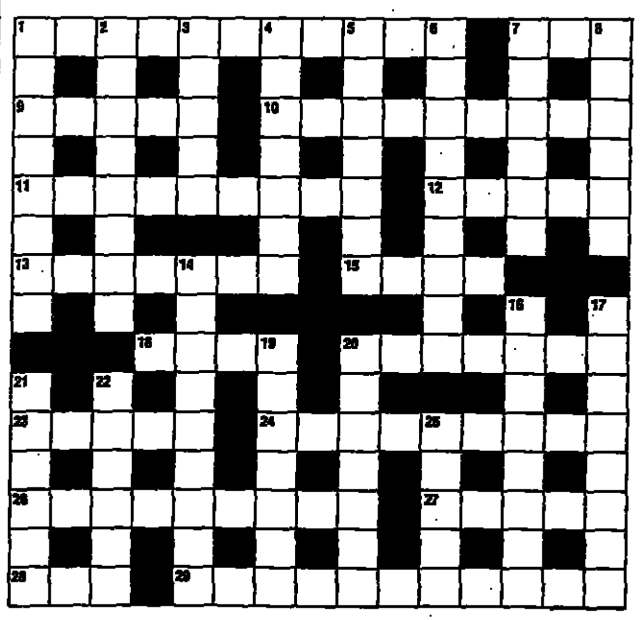
The Danish government has put forward a list of special exemptions to enable it to hold a second popular referendum on the Maastricht treaty; these include opt-outs on monetary union, European defence, immigration and national security. If these exemptions could be discreetly handed over in a brown paper bag on some dark Tuesday night, no doubt the others would not mind too much, because Denmark is a peripheral country; but there are just three difficulties.

First, the Danish demands add up cumulatively to a comprehensive rejection of all the main objectives of the treaty. Second, this Danish rejection is virtually identical in spirit to Mr Major's minimalism. Third, if France and Germany and Italy and the Benelux believe that the treaty is being voided of all operational significance, it is a racing certainty that they will move ahead to form a two-tier Europe, leaving Britain and Denmark where they really would be more comfortable – in a minimal world outside.

Britain's dilemma is that it must be "at the heart of Europe", because it has nowhere else to go; but the dilemma of the British is that they do not like the Community which has been formed by others; they do not sympathise with its objectives; and apparently they still do not understand that they cannot change these objectives.

CROSSWORD

No.7,998 Set by DANTE



ACROSS

1 An unconscious pedestrian (11)
7 Leaves for some refreshment (3)
9 Give in return (5)
10 Tribe seek to return following many a brave leader (9)
11 There's less noise from female cats (9)
12 Exercise sequence (5)
13 Paid as agreed (7)
15 Duck seen on English river (4)
18 A duck egg blue (4)
20 House with a bed and a broken gate (7)
23 Finished with a cereal food (5)
24 Edward's owner (9)
26 Ocean silt may be stranded here (9)
27 Those who have this shouldn't feel hungry (5)
28 Female sheep quarters (3)
29 Orders translation of rousing tale (11)

DOWN

1 Telescope for secret agent on a schooner, perhaps (8)
2 This canine is a biter on sight (3,5)
3 The chaplain's walk-about (5)
4 The defendant made charges (7)
5 Continues to look after one's offspring (5,2)
6 A sign of free accommodation (4,2,3)
7 Saw the head, for examination purposes? (6)
8 First two letters posted away (6)
14 Gaunt house (9)
16 Used to speak highly of latest fashion (8)
17 The engineer officer's responsibility taken by the navigator (8)
19 Seeking to taste defeat (7)
20 Set firm at an unusual angle (7)
21 Brave father put up with pain (6)
22 Housing development willingly left without a top (6)
25 Return the ones chosen (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 21.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.11.92: Pool purchase price £/MWh	Final Prices for Trading on 12.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.23	17.48	17.48
0100	23.52	17.49	17.49
0130	23.52	17.70	17.70
0200	25.35	20.17	22.02
0230	23.24	27.96	30.07
0300	22.89	27.96	30.07
0330	22.89	20.72	22.59
0400	18.12	20.72	22.60
0430	17.71	20.72	22.60
0500	17.71	20.72	22.60
0530	17.72	17.58	17.58
0600	17.72	17.58	17.58
0630	18.04	17.64	17.64
0700	20.32	23.64	25.64
0730	25.16	23.70	25.98
0800	25.17	26.13	28.22
0830	25.17	29.02	31.20
0900	28.77	29.15	31.35
0930	28.08	28.96	31.12
1000	28.77	28.89	31.02
1030	28.77	26.07	28.09
1100	28.77	26.03	28.04
1130	28.77	26.04	28.05
1200	28.77	26.04	28.05
1230	28.77	25.96	27.96
1300	26.80	25.89	27.88
1330	26.01	25.14	27.10
1400	26.01	24.06	25.98
1430	26.01	24.05	25.98
1500	24.36	24.06	25.98
1530	24.38	24.08	25.99
1600	24.37	24.10	26.04
1630	29.41	24.61	26.56
1700	37.29	24.75	26.72
1730	50.09	24.75	26.71
1800	48.74	24.81	26.80
1830	37.12	29.40	31.87
1900	29.47	35.16	37.76
1930	28.72	35.08	37.62
2000	28.01	33.96	36.22
2030	25.17	33.32	35.52
2100	25.17	23.65	25.56
2130	24.76	23.64	25.56
2200	24.60	23.40	25.33
2230	23.80	22.94	24.87
2300	20.68	22.87	24.80
2330	20.32	21.01	22.90
2400	18.06	17.65	17.65

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.11.92: Pool purchase price £/MWh	Final Prices for Trading on 11.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.32	17.50	17.50
0100	26.17	17.50	17.50
0130	26.17	17.60	17.60
0200	26.17	21.60	23.09
0230	23.27	22.34	24.25
0300	23.27	22.34	24.25
0330	23.27	17.71	17.71
0400	22.87	17.69	17.69
0430	17.71	17.63	17.63
0500	17.70	17.63	17.63
0530	17.51	20.17	22.02
0600	17.51	20.17	22.02
0630	17.61	20.17	22.02
0700	17.51	20.13	22.00
0730	17.61	20.17	22.04
0800	17.51	20.17	22.01
0830	17.69	20.17	22.00
0900	21.41	20.17	22.00
0930	21.67	21.60	23.46
1000	22.43	21.10	22.95
1030	22.15	21.60	23.46
1100	23.26	23.01	24.91
1130	24.34	23.01	24.90
1200	24.34	27.98	29.98
1230	24.34	27.96	29.97
1300	24.34	27.96	29.97
1330	24.34	27.96	30.00
1400	20.60	24.56	26.51
1430	20.32	23.01	24.93
1500	17.71	22.16	24.04
1530	17.71	21.10	22.96
1600	18.12	17.72	17.72
1630	20.32	17.72	17.72
1700	24.34	17.72	17.72
1730	29.09	20.88	22.72
1800	26.95	22.16	24.03
1830	29.09	24.72	26.67
1900	24.58	27.96	29.97
1930	26.95	27.96	29.96
2000	26.95	27.96	29.96
2030	24.40	25.15	27.06
2100	24.15	24.72	26.66
2130	23.71	24.56	26.51
2200	23.52	24.45	26.40
2230	23.52	22.16	24.03
2300	18.10	21.10	22.96
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